MONTANA LEGISLATIVE HISTORY

Chapter 118 19 69

Bill H _____ S 22 Original bill & history ____C

H. Committee on Business & Industry			S. Committee on State Administration		
Hearing Date(s)	Feb 14	✓ C	Hearing Date(s)	Jan 22	✓ C
Senate exhibits were also introduced in the House Committee	Feb 19	✓ C		Jan 22	✓ C
	_____	____C		Jan 29	✓ C
	_____	____C		_____	____C
Date Out	Feb 19	✓ C		Jan 29	✓ C

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

January 22, 1969

Chairman James presided at a meeting of State Administration at 9:00 a.m. on the above date, with a quorum present.

Members of the Judiciary Committee were presented, the following being present: Senator Gilfeather, Chairman; Senator Sheehy, vice-chairman; Turnage, Bollinger, Goodheart, Stephens and the Judiciary Secretary, Pat Dorrington. Senator Moore also was present to hear the proponents of Senate Bill 22.

SENATE BILL NO. 104 was further considered. Senator Lyon moved it DO PASS, seconded by Senator Rostad; motion carried.

SENATE BILL 1 will be taken under consideration during a future meeting.

SENATE BILL 22 was brought before the committee. Senator James asked the proponents of this legislation to make their presentation.

Mr. William Scribner, Helena, Attorney for the Montana Society of Public Accountants, and the Montana Society of Certified Public Accountants, gave a brief resume of the contents of the bill. He presented a brochure to the committee members, which is attached to the minutes and marked Exhibit "A". He also distributed a letter from R. J. Woldtvedt, Public Accountant, Shelby, which is attached hereto and marked Exhibit "B". Mr. Scribner introduced Jack J. Kempner, Missoula, representing the Montana Society of Certified Public Accountants, who spoke on the purposes and objectives of this bill.

Mr. Kempner stated this proposal would not affect those accountants now in practice. The most important reasons for introducing this legislation are to set requirements to insure that accountants now being trained and wishing to become certified will be (1) qualified, and (2) independent. By qualified, he explained the requirements would be to pass a written examination, have an education equivalent to four years of college, and one year experience in a public accountant's practice. By the term "independent", Mr. Kempner advised the committee this was to be independent of any financial interest in the company under audit and that his opinion is free of bias. This bill would also establish a Board of Accountancy composed of three certified public accountants and two licensed public accountants who would be appointed by the governor and which Board would be responsible for administering this act.

Norvell A. Besinque, Billings, representing the Montana Society of Public Accountants gave a brief history of the writing of the bill which is a cooperative effort of the Society of Public Accountants and the Society of Certified Public Accountants.

William Schmidt, Helena, Montana Society of Certified Public Accountants, spoke briefly on the educational aspects of the legislation. This would be beneficial in obtaining reciprocity with other states.

Other proponents appearing were: Frank A. Frederick, Billings, and Ralph E. Svare, Shelby, representing the Montana Society of Public Accountants; Todd M. Lindberg, Joseph G. Loendorf, Ann J. Kindred, Gary F. Demaree, Carl ZurMuehlen, Helena, and Maurice P. Clark, Jr., Great Falls, representing the Montana Society of Certified Public Accountants.

A question and answer session followed after which all proponents were excused.

Without objection the meeting was declared adjourned.

James

SENATOR JAMES

Senate Bill #22
Exhibit "A"

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RESUME OF THE PROPOSED BILL

Certified Public Accountants have been licensed and regulated by the State of Montana since 1909. The present law and all prior laws limit the use of the title "Certified Public Accountant" or any abbreviation thereof such as C. P. A. to those who have received certificates as Certified Public Accountants. Certificates are granted by the University of Montana to anyone who (1) is a citizen of the U. S. (2) is a resident of Montana (3) is twenty-one years old (4) is a graduate of a four year high school or has equivalent education and experience and (5) who successfully passes examinations in the theory and practice of general accounting, in auditing, in commercial law as affecting accountancy, and in such other related subjects as the Board of Examiners deems advisable. The examination under (5) above which has been used for a number of years by the Montana Board of Examiners in Accountancy, and which is used by all fifty states is the American Institute of Certified Public Accountants' "Uniform C. P. A. Examination," prepared and graded by the A. I. C. P. A. to insure uniformity throughout the nation. Candidates writing the examination are indentified by numbers only. Certified Public Accountants must adhere to strict rules of professional ethics and conduct as prescribed by the University Committee of Accountancy, and are subject to revocation or suspension of their certificates for any violation thereof.

While accountants provide a variety of services such as preparing tax returns and installing accounting systems, it is the function of conducting an audit and expressing an opinion as to whether the financial statements are fairly presented that justifies licensing and regulating the accounting profession in the public interest. Interested third parties such as bankers, stockholders, general creditors, prospective investors, and government agencies rely on these statements and should have the right to assume that:

1. The statements have been examined by a person fully qualified to express an expert opinion.
2. Enough supporting evidence has been examined to justify an opinion and that the statements are presented in accordance with generally accepted accounting principles.

3. The auditor is independent of any financial interest in the company under audit and that his opinion is free of bias.

4. The auditor stakes his reputation on the soundness of his opinion.

Under present law, anyone may offer his services to the public to perform this function subject to no regulation or diciplinary action even though he may have no accounting knowledge what-so-ever. It's a "Buyer Beware" situation. The only prohibition is that he may not call himself a "Certified Public Accountant."

The proposed bill seeks to change the present law by limiting the expression of an opinion on financial statements called the "attest" function, to "Certified Public Accountants," and to "Licensed Public Accountants," and to prohibit the use of those titles or any similar designations by persons who have not been licensed as Certified Public Accountants or Licensed Public Accountants under the law. The bill does not prohibit any other person from offering his services to the public for tax return preparation, general bookkeeping, etc., nor does it prohibit any employee of a corporation, business or government from performing his job as an employee.

The bill seeks to insure the independence, the competency and the integrity of those performing the "attest" function by:

(1) Requiring all Certified Public Accountants and Licensed Public Accountants to adhere to the rules of professional ethics and conduct as prescribed by the Board of Accountancy and to be subject to disciplinary action for violations thereof.

(2) Requiring two years of college or equivalent and one year experience from January 1, 1972 through December 31, 1974, and four years of college and one year experience after January 1, 1975 for persons receiving certificates as Certified Public Accountants or registered as Licensed Public Accountants; in addition to

(3) (a) Passing the Certified Public Accountant examination as described under (5) on page 1 to receive a certificate as a Certified Public Accountant, or

(b) Passing two parts of the Certified Public Accountant Examination to be registered as a "Licensed Public Accountant."

Montana currently has the lowest education and experience requirements in the nation, and this revision is simply up-dating the law to modern day reality. Of those sitting for the examination in 1965 and 1966, 96% had college training and 97% of those passing were college trained. By prescribing the same education and experience requirements and the use of the same examination as a test for competency, the proposed bill establishes comparable standards for qualifications for both C. P. A. 's and L. P. A.'s.

Since persons currently practicing as public accountants must not be deprived of their means of livelihood, the proposed bill further provides that such persons practicing as principals (owner or partner) at the date of enactment may be registered as "Licensed Public Accountants," licensed as such, and subject to the rules and regulations prescribed by the Board of Accountancy.

Another major change in the proposed bill is the establishment of one Board of Accountancy composed of three Certified Public Accountants (who will be responsible for conducting the examination) and two Licensed Public Accountants. All Board members will be appointed by the governor, and will be responsible for the administration of the act. Currently, the functions of licensing and regulating of Certified Public Accountants are performed variously by the State University and the Board of Examiners in Accountancy. It is felt that these functions could be more efficiently and appropriately handled by a Board consisting of professional practitioners.

Other provisions of the proposed bill provide for financing the administration of the act, through license fees, for clarifying the ownership of accountant's working papers; for requiring information acquired in performance of an accountant's professional services to be privileged and confidential except as released by client permission.

There are no other substantive changes in the proposed bill from the present law although some provisions are detailed to a greater extent.

EDUCATION REQUIREMENTS
FOR CERTIFIED PUBLIC ACCOUNTANTS

SUMMARY

34 Jurisdictions - Require a Baccalaureate Degree (or equivalent semester hours) with an accounting major.
11 Jurisdictions - Require a Baccalaureate Degree (or equivalent semester hours), but an accounting major is not required.
45 Jurisdictions

In some instances experience is required in addition. Frequently experience is substitutive for education, and such qualifying experience is limited to that acquired in a C.P.A. or a P.A. office, and in some instances certain specified government experience.

2 Jurisdictions - Require two years of college or equivalent semester hours and one requires in addition 24 semester hours of accounting.
47

5 Jurisdictions - Require a high school education with from 2 to 4 years experience, all of which must be in a C.P.A. or P.A. office except 2 jurisdictions allow credit for experience in certain specified government audit positions.
52

1 Jurisdiction - Montana - Requires a high school education and no experience.
53 Total

EDUCATION REQUIREMENTS
FOR CERTIFIED PUBLIC ACCOUNTANTS

Name of State or Jurisdiction	(1) Masters Degree with Accounting Major	(2) Masters Degree Non-Accounting Major	(3) Baccalaureate Degree Accounting Major	(4) Baccalaureate Degree with Non-Accounting Major	(5) 3 Years College	(6) 2 Years College	(7) 1 Year College	(8) Business School or Correspondence	(9) High School	(10) Experience plus Education Necessary
1. Alabama			Yes	Yes & 3yrs. Experience						No
2. Alaska			Yes & 2yrs. Experience	Yes & 3yrs. Experience		Yes & 4yrs. experience				Yes - as noted
3. Arizona			Yes							2 years
4. Arkansas		Yes & 1yr. Experience	Yes & 2yrs. Experience							Yes - as noted
5. California			Yes							3 years
6. Colorado		Yes		Yes & 1yr. Experience						No
7. Connecticut			Yes							2 years
8. Deleware				Yes & 2yrs. Experience				Yes & 4yrs. Experience		Yes - as noted
9. District of Columbia				Yes & 2yrs. Experience	Yes & 3yrs. Experience	Yes & 4yrs. Experience				Yes - as noted
10. Florida			Yes							1 year
11. Georgia	Yes & 1yr. Experience		Yes & 2yrs. Experience							Yes - as noted
12. Hawaii			Yes & 2 Yrs. Experience	Yes & 3yrs. Experience						Yes - as noted

EDUCATION REQUIREMENTS
FOR CERTIFIED PUBLIC ACCOUNTANTS

Name of State or Jurisdiction	(1) Masters Degree with Accounting Major	(2) Masters Degree Non-Accounting Major	(3) Baccalaureate Degree with Accounting Major	(4) Baccalaureate Degree with Non-Accounting Major	(5) 3 Years College	(6) 2 Years College	(7) 1 Year College	(8) Business School or Correspondence	(9) High School	(10) Experience plus Education Necessary
13. Idaho			Yes & 1yr. Experience	Yes & 3yrs. Experience						Yes - as noted
14. Illinois				Yes & 1yr. Experience		Yes & 2yrs. Experience.		120 Sem. Hr. & 3yr Exper. if 50% Courses are taught by C.P.A.'s		Yes - as noted
15. Indiana									Yes	3 years
16. Iowa			Yes							1 year
17. Kansas			Yes & 2yrs. Experience	Yes & 3yrs. Experience					Yes & 5yrs. Experience	Yes - as noted
18. Kentucky	Yes & 1yr. Experience		Yes & 2yrs. Experience	Yes & 3yrs. Experience					Yes & 6yrs. Experience	Yes - as noted
19. Louisiana			Yes					Completion of course in Higher Accountancy		1 year
20. Maine									Yes	2 years
21. Maryland						Yes		Yes-if $3\frac{1}{2}$ yr course& 2yr exp.		No

EDUCATION REQUIREMENTS
FOR CERTIFIED PUBLIC ACCOUNTANTS

Name of State or Jurisdiction	(1) Masters Degree with Accounting Major	(2) Masters Degree Non-Accounting Major	(3) Baccalaureate Degree With Accounting Major	(4) Baccalaureate Degree with Non-Accounting Major	(5) 3 Years College	(6) 2 Years College	(7) 1 Year College	(8) Business School or Correspondence	(9) High School	(10) Experience plus Education Necessary
22. Massachusetts	Yes & 2yr. Experience		Yes & 3yrs. Experience							Yes - as noted
23. Michigan			Yes							2 years
24. Minnesota									Yes	3 years in public accounting
25. Mississippi			Yes & 1yr. Experience						Yes & 2yrs. Experience	Yes - as noted
26. Missouri			Yes							2 years
27. Montana									Yes	No
28. Nebraska				Yes & 2yrs. Experience					Yes & 4yrs. Experience	Yes - as noted
29. Nevada			Yes							2 years
30. New Hampshire									Yes	4 years
31. New Jersey				Yes						3 years
32. New Mexico			Yes							1 year
33. New York	Yes & 1yr. Experience		Yes & 2yrs. Experience							Yes - as noted

EDUCATION REQUIREMENTS
FOR CERTIFIED PUBLIC ACCOUNTANTS

Name of State or Jurisdiction	(1) Masters Degree with A Accounting Major	(2) Masters Degree Non-Accounting Major	(3) Baccalaureate Degree with Accounting Major	(4) Baccalaureate Degree with Non-Accounting Major	(5) 3 Years College	(6) 2 Years College	(7) 1 Year College	(8) Business School or Correspondence	(9) High School	(10) Experience plus Education Necessary
34. North Carolina		Yes & 1yr. Experience				Yes & 24 Sem. Hrs. in Accountancy & 2yrs. Experience				Yes - as noted
35. North Dakota				Yes						No
36. Ohio		Yes & 1yr. Experience	Yes & 2yrs. Experience			Yes-if includes 24 Sem. Hrs. of Acct. & 4yrs. Experience				Yes - as noted
37. Oklahoma			Yes						Yes & 3yrs. Experience	No
38. Oregon				Yes	Yes & 2yrs. Experience	Yes & 2yrs. Experience	Yes & 2yrs. Experience	Yes & 2yrs. Experience	Yes & 2yrs. Experience	No
39. Pennsylvania	Yes & 1yr. Experience			Yes & 2yrs. Experience						Yes - as noted
40. Puerto Rico			Yes	Yes & 4yrs. Experience					Yes & 6yrs. Experience	No
41. Rhode Island	Yes & 1yr. Experience		Yes & 2yrs. Experience							Yes - as noted
42. South Carolina			Yes							2 years
43. South Dakota			Yes							1 year

EDUCATION REQUIREMENTS
FOR CERTIFIED PUBLIC ACCOUNTANTS

Name of State or Jurisdiction	(1) Masters Degree with Accounting Major	(2) Masters Degree Non-Accounting Major	(3) Baccalaureate Degree with Accounting Major	(4) Baccalaureate Degree with Non-Accounting Major	(5) 3 Years College	(6) 2 Years College	(7) 1 Year College	(8) Business School or Correspondence	(9) High School	(10) Experience plus Education Necessary
44. Tennessee	Yes & 1yr. Experience		Yes & 2yrs. Experience							Yes - as noted
45. Texas	Yes & 1yr. Experience		Yes & 2yrs. Experience			Yes & 6yrs. Experience				Yes - as noted
46. Utah		Yes & 1yr. Experience	Yes & 2yrs. Experience							Yes - as noted
47. Vermont				Yes					Yes & 2yrs. Experience	No
48. Virginia				Yes				4 yr. course		2 years
49. Virgin Islands			Yes & 2yrs. Experience	Yes & 3yrs. Experience					Yes & 6yrs. Experience	Yes - as noted
50. Washington			Yes & 1yr. Experience	Yes & 2yrs. Experience					Yes & 4yrs. Experience	Yes - as noted
51. West Virginia			Yes							No
52. Wisconsin			Yes							1½ years
53. Wyoming									Yes	3 years

A Case for Raising Montana's Accounting Standards

JACK J. KEMPNER
Professor of Accounting
University of Montana, Missoula
and
GARY E. DEMAREE, C.P.A.
Galusha, Higgins & Galusha, Helena

An estimated million people work at some form of accounting in the United States today. Although these accountants are involved in a wide variety of activities from simple bookkeeping to the controllership function of large corporations, this article is concerned with the services performed by public accountants. It is even more closely concerned with the service known as the "attest function," and how attesting to the fairness of a client's financial statements is related to the public welfare.

Accountants in government or industry serve only their particular agency or company in the capacity of employees. Public accountants, on the other hand, stand ready to offer their services to anyone who wishes to engage them. While the public accountant offers a variety of services—such as preparing tax returns or installing accounting systems—conducting an audit and expressing a formal opinion as to whether the financial statements are fairly presented is probably the most sensitive service he performs. In no other endeavor of accounting do outsiders rely so heavily on the opinion of the auditor. Stockholders, bankers, general creditors and prospective investors normally have no other means of verifying the financial stewardship of management.

When an independent public accounting firm attests to the fairness of the financial statements, the public should have a right to assume that:

1. The statements have been examined by a person fully qualified to express an expert opinion.
2. Enough supporting evidence has been examined to justify the opinion.

3. The statements have been prepared in accordance with generally accepted accounting principles.

4. The auditor stakes his reputation on the soundness of his opinion.

Equally important, the outsider has a right to assume that the auditor is independent of any financial interest in the company under audit and that his opinion is completely free of any bias; otherwise attesting to the fairness of the financial position of a particular firm would be meaningless. There are any number of accounting-trained employees who would be qualified to conduct an audit and express an opinion on the financial statements of their company. However, since they may be influenced by management, their opinion can hardly be considered objective.

Since absentee owners, creditors and government agencies rely on the opinion of the independent public accountant, they should be able to be certain that they are obtaining reliable information. They need assurance that a man who offers his services to the public as a professional accountant possesses three basic characteristics: 1) competency in his field; 2) complete objectivity when expressing an opinion; and 3) unquestionable integrity.

Let's consider competency first. In most states an individual is not considered qualified to practice as a **certified** public accountant until he has completed a minimum of formal education evidenced by a bachelors degree, passed a rigorous uniform examination (prepared and graded on a national basis) and obtained practical experience by working for a certified public accounting firm for one or more years. Qualifications for a **licensed** public accountant are somewhat less restrictive, but a certain amount of basic experience still is required.

In states where regulatory legislation has been enacted, **certified** and **licensed** public accountants are under the control of a state board of accountancy which is empowered to enforce regulations assuring the independence of its practitioners. Most of these regulations prohibit an accountant from expressing an opinion on financial statements if: 1) he had any direct financial interest or material indirect financial interest in the enterprise under audit; and 2) he was connected with the enterprise as a promoter, underwriter, director, officer, or key employee.

It is difficult to measure or quantify the integrity of an individual, nevertheless any profession worthy of the name must

develop certain standards of ethical behavior that members of their profession must follow. The public accounting profession has such a code of ethics and, where state laws provide for enforcement, a state board of accountancy is the enforcement agency that carries out the mandate of the legislature. Members of the profession who fail to conform to the rules of conduct necessary to maintain a high standard of integrity may forfeit their right to practice by losing their certificate or license.

Montana statutes currently provide for control over certified public accountants but make no provision to control those who simply "hang out a shingle" and choose to call themselves public accountants. The Montana State Board of Examiners and the University Committee on Accountancy (responsible for enforcing the present statutes relating to CPA's) have no control over anyone else who attests to the financial statements of others. At present, anyone may express a formal opinion concerning the financial position of an enterprise even though he may have a sizable financial interest in that firm or may be a director or key employee in that enterprise. Since it is necessary neither to meet minimal education or experience requirements nor to satisfactorily complete a written or oral examination, there is no way to judge the competency of these individuals either. They are not subject to a code of ethics nor can any penalty be imposed for substandard reporting.

Although the present Montana code does provide for control over its Certified Public Accountants, if a CPA should lose his or her certificate because of failure to conform to professional standards, that individual may then continue to practice as a public accountant with no further fear of interference from the state. That person could be prevented only from using the word "certified" beside his name; he can express his questionable opinion on financial statements and the public interest be damned.

In view of the present statutes in Montana, how is the public to judge the fairness of an opinion expressed by an accountant? It would be unjust to say that only the CPA's are qualified to conduct an audit. Many practicing public accountants are equally qualified and perform their work with the utmost professional integrity. But, actually, who is and who is not practicing on a fully professional level? Is the public capable of forming this judgment or, even more to the point, should the public be forced to draw its own conclusions?

In the professions of medicine or law, the public is not ex-

pected to decide who is qualified to practice. Statutory regulations protect the citizens of the state by spelling out certain requirements and providing for continuing controls over those who would call themselves physicians or attorneys. You are free to choose which doctor or lawyer you wish to engage, but you at least know that you are making a choice from among a list of qualified individuals.

At present there are no similar safeguards relating to the public accounting profession in Montana. The American economy, as well as the economy in Montana, depends for its smooth operation on the orderly and rational flow of credit and investment. Without access to facts attested to by independent and competent people, those responsible for the flow of vital financial information would have their hands tied. But, again, in Montana who is to say which accountants are independent and/or competent?

In order to further upgrade the accounting profession in Montana, thereby protecting those who rely on financial information, amendments to the current statutes are being proposed to the 1969 legislature. These proposals are sponsored by the Montana Society of Certified Public Accountants and the Montana Society of Public Accountants.

Montana is presently in the unenviable position of having the lowest accountancy education and experience requirements in the United States. In the public interest at the very least, Montana must keep abreast of the provisions in other states, and the proposed bill is similar to the laws already passed by the thirty-six jurisdictions in the country.

The bill provides for the regulation and licensing, not only of Certified Public Accountants who are presently regulated, but also of public accountants who are at present unregulated but who, nevertheless, may perform the attest function. With respect to education and experience, the bill provides for a transition period of six years during which these requirements will be gradually upgraded by steps, so that after 1974 a person desiring to obtain a certificate or license must be a college graduate with one year of accounting experience. By then, in order to become certified, a person will have to pass the uniform certified public accounting examination (similar to the requirements of existing laws). An individual may obtain a license to practice as a public accountant if, in addition to meeting the education and experience requirements cited above, he passes the uniform examination in accounting practice and the examination in either accounting theory or auditing or

holds a United States Treasury card, which entitles him to represent clients before the Treasury Department.

In effect, the proposed legislation will set forth minimum standards for those persons who hold themselves out to the public as expert accountants and who attest to the fairness of financial statements through the expression of a formal opinion. In addition the public will be afforded further protection, since both certified and licensed accountants will be required to adhere to a single standard of competence and ethical behavior as set forth and enforced by the State Board of Accountancy. Passage of this legislation will bring the standards of the public accounting profession in line with those now prevailing elsewhere in the United States and, thus, give to the citizens of Montana the protection which our modern economy requires.

Although the proposed legislation is designed to protect the public from substandard accounting, the bill also includes certain protective features for those individuals currently engaged in accounting practice. No public accountant would be deprived of the right to continue his practice so long as he registers under the provisions of the bill. The proposed legislation automatically provides for licensing all persons who held themselves out to the public as public accountants and who were engaged as principals in Montana on the effective date of the statute. (Persons serving in the armed forces on the effective date of the act and who would otherwise qualify for licensing may be licensed upon their return to civilian life.) Individuals currently holding a certificate as a Certified Public Accountant will also be protected since the new educational and experience requirements are not retroactive.

Under the proposed law, it still will be possible for unlicensed persons to perform general accounting, bookkeeping or tax services for more than one employer in exactly the same manner as they do today. **Unlicensed** or **non-certified** public accountants will be restricted only in that they will not be permitted to use the title "certified" or "licensed" public accountant, nor will they be permitted to exercise the attest function by expressing an opinion on financial statements. Naturally accountants working in private industry, for the government, or nonprofit organizations will not be affected by this legislation.

The public welfare, which is affected by the activities of public accountants, justifies the enactment of licensing laws which establish measures of control and standards of competence for

the professional practice of accountancy. Ultimately all professional accounting work should be performed by individuals who have satisfied educational and experience requirements and have demonstrated competence by passing rigorous written examinations. While other persons must be guaranteed the privilege of seeking private employment as accountants or offering varied bookkeeping, consulting, or tax services to the public, they should not be permitted to perform the attest function.

It has already been mentioned that the great majority of states in the country already have adopted similar laws to regulate the practice of public accounting within their borders. By enacting the proposed legislation, Montana will also be in a position to raise the standards of the profession, thereby protecting the public from the dangerous effects of inferior practice.

Summary and conclusions of the three-year study of what the beginning CPA should know

HORIZONS FOR A PROFESSION:

THE COMMON BODY OF

BY ROBERT H. ROY AND JAMES H. MacNEILL

THIS study has been carried out for the purpose of delineating the common body of knowledge to be possessed by those about to begin their professional careers as certified public accountants. This objective, which was clearly set forth in the *Prospectus* of the study, poses two dilemmas, each of which became increasingly apparent during the course of the investigation:

1. The first of these dilemmas is easy to state. The most important and significant aspects of a CPA's services to his clients and to the public cannot be defined as knowledge, nor even as experience, but must be described by more elusive terms: wisdom, perception, imagination, circumspection, judgment, integrity.

When to speak out, when to be silent, how to say or write that which is necessary but awkward, courage to face up to the need for doing so, talent to be firm yet diplomatic, imagination to see beneath and beyond the surface, perceptivity not only for what has happened but also for what may happen, constancy in ethical behavior, sagacity to avoid errors of omission as well as those of commission: these and other attributes like them are *qualities,* not definable as knowledge but inherent in individuals. Without them a CPA can be nothing more than a technician, regardless of the scope of his knowledge; possessing these attributes plus requisite knowledge, he is a *professional.*

We have endeavored to cope with this first, difficult dilemma by these assumptions: (a) the CPA must *be* a professional; (b) public accounting presents opportunities and challenges worthy of the best minds; and (c) those entering the profession must possess the qualities delineated above. Thus, we have taken our stand on the side of the angels—but we have done so through acquired convictions.

2. The second dilemma is related to, indeed derives from, the first but the relationship is more subtle than apparent.

From various sources we have come to understand that the common body of knowledge we have defined may have some influence upon the various kinds of training provided for those who would become tomorrow's CPAs. Comments about this frequently have been coupled with expressed hopes for prescriptive guidance. Precisely what,

in the manner of syllabi, should the beginning CPA know about mathematics, statistics, probability, economics, finance, law, about accounting itself?

The reader who looks for syllabi in the pages which follow will not find them—and for very good reasons. Like others who have carried out studies of this kind, we do hope to stimulate progress. But we most assuredly do *not* wish to place upper bounds upon the possession or pursuit of knowledge by beginning CPAs, and prescriptive syllabi would be likely to do just that, to permit topical compliance at the possible cost of intellectual sterility. Too often floors become ceilings, too often learning lacks the depth we seek to portray here.

Because of this, we have sought with invariable emphasis—perhaps even monotonously—to value conceptual understanding over procedural skill. It would be easy to require the beginning CPA to know how to calculate a standard deviation, but it is much more important for him to understand the meaning of the concept. It would be easy to require the beginning CPA to be competent in the techniques of accounting for depreciation, but it is much more important to specify that he *understand* this complex subject. Ability to apply techniques is easy to specify and as easy to test; conceptual understanding is much more elusive, both to impart and to ascertain.

These are the foundations upon which this study rests, the ways in which we have sought to resolve the dilemmas propounded by our stated objectives: (1) by assuming, on the part of those seeking to become CPAs, inherent qualities worthy of the accolade professional, and (2) by consistent emphasis upon conceptual understanding in preference to procedural skill. All that follows should be interpreted in the context of these assumptions.

KNOWLEDGE FOR CPAs

OBJECTIVES OF THE STUDY

We have defined the beginning CPA ". . . as one who is at that moment in his career when he is first prepared and authorized to offer his services as a certified public accountant." This definition requires that the subjects of our study shall not only have passed all parts of the Uniform CPA Examination but also must have met whatever the practice or other requirements may be in their respective states of residence. We have further specified that the common body of knowledge set forth herein be applicable to all who are qualified in the manner just defined, whether they enter public practice or accept other employment. However, had we decided to exclude from consideration those employed in other than public practice, our findings would not have been altered.

Preparation for practice as a CPA has been characterized by rigor for many years; nevertheless this traditional rigor must be increased still further if CPAs are to provide the services to society which are likely to be expected of them. The advent of the computer, the development of sophisticated mathematical and statistical tools now applicable to problems in the world of affairs, and the promise of research in behavioral science make increased rigor mandatory if CPAs are to maintain a place in the sun.

We found, as an important part of this conclusion, that research in accounting must also increase, and by a very substantial amount. In this subjective attribute of a profession, accounting does not compare favorably with other fields. Analogously, while CPAs in impressive numbers are ardent in the pursuit of self-development, their endeavors seem essentially to be focused in how-to-do-it directions. It appears that tomorrow's CPAs, and the younger segment of the profession today as well, will require programs of greater breadth and sophistication.

In these admittedly hard-to-define ways, improvement in the professional status of CPAs is needed. But, as we can repeat with conviction, the challenges, needs and opportunities of the field are worthy of the best minds. Evaluation of the success or failure of this report may well depend upon the extent to which we can make clear this attraction to individuals of high quality.

PROFESSIONAL PREPARATION

In its evolution, each profession begins by providing, through self-taught practitioners, a service needed by society. Each then introduces apprenticeship procedures, by which accumulated experience is transmitted to novitiates. With sufficient accretion of knowledge, professional schools are established, but always the early history of these shows the same flavor of experience; the schools attempt to simulate the real world and their teachers impart their own experiences to their pupils.

Once established, the schools themselves evolve. Collective, repetitive experiences increasingly yield

inductive knowledge, generalizations extracted from multiplicities of cases and, once extracted, applicable to cases yet to come. Research begins, from which there flows a yet higher order of knowledge through deduction, yielding laws, principles, postulates, theories, all applicable to the spectrum of the professional phenomena to which they apply.

This progression of experience, induction and deduction is accompanied by continual increases in the total body of applicable knowledge. The professional schools respond to these growing accretions of relevant knowledge seriatim: by adding to the burdens of their students, by winnowing out subjects deemed less essential, by increasing the rigor of subjects retained and, ultimately, by insisting upon graduate training as a requirement for admission to the profession. Medicine, theology and law, defined as the "traditional learned professions," already require postbaccalaureate training, supplemented in the case of medicine by postdoctoral exposure as well. There are indications that engineering also is on the threshold of a graduate requirement.

These evolutionary processes are by no means painless. Attempts to simulate the world of affairs in academic institutions almost always lack the essential ingredient of reality: the teaching of experience in the classroom is relatively very inefficient, classroom presentation is likely to be descriptive and the experiences taught never to be duplicated by the students in future professional practice. On this account, and for the converse reason that inductive and deductive knowledge are much more teachable and subsequently much more useful, subjects dependent upon experience are the first to be winnowed out in the manner described.

Actions taken to diminish the experience component of professional training always raise a hue and cry. Teachers of experience usually are senior faculty, who quite naturally resist discounts from the value of their instruction and the threat of intellectual obsolescence as well. By the same token, each profession, epitomized by its leaders, elder statesmen, practitioners and professional society, is more likely to esteem experience than new knowledge not possessed, not understood and not foreseen by the elders to be applicable. And, more subtly, to change the program *they* had seems to derogate its quality.

Restraints such as these impede but never halt the evolution of each learned profession. Medical training depends less upon the clinic than it once did, and engineering art has given way to engineering science to a remarkable degree. Accounting, we believe, is on the threshold of changes of this kind.

Our reasons for this belief may be stated categorically:

1. The development of new methods in mathematics, statistics, and probability and the applicability of these new methods to problems in the management of formal organizations makes added mathematical capability mandatory for tomorrow's CPAs.

2. The advent of the computer has given additional new dimensions to accounting by providing capabilities for processing data accurately and variously at extremely high speeds, by requiring significant changes in auditing and by making possible solutions to problems hitherto beyond computational reach.

3. As corollary to these developments, it is probable that instruction in accounting itself increasingly will be augmented by representation of accounting procedures in the symbolic notation of mathematics.

4. Instructional presentation related to these changes will be at inductive and deductive levels, with the teaching of experience further subordinated. Experience will remain as important as ever to the CPA but that experience increasingly will be reserved for professional practice in the world of affairs.

We conclude, therefore, that tomorrow's beginning CPA must have mathematical facility beyond

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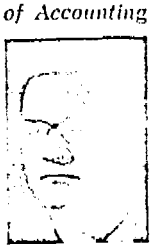

that possessed by his professional forbears; he must also be given fundamental knowledge and skill to understand and use computers and to keep pace with their further development in the years to come. We further believe that these requirements, when added to the qualitative factors previously postulated, indicate that preparation for public accounting should come to include graduate study. These conclusions are fundamental to this report.

RESEARCH

If this transition in the graduate direction is to come about, it will no doubt be predominantly at the master's level but, almost as a matter of necessity, there must also be an increase in accounting research, accompanied by significant increases in the number of students progressing to the doctorate.

Research in accounting already has made large strides in both scope and quality, but most of that reported derives from faculty plus a few investigators who are in professional practice. There does not exist in accounting—at least not in sufficient degree—that conjunction of faculty and graduate students in academic environments characterized by common devotion to the goals of research. There are doctoral candidates in accounting departments, to be sure, and they do engage in research in company with faculty and they also write dissertations, but their numbers remain small and nearly static, and their support generally comes from participation in teaching, not from sponsored research in the manner of medicine or engineering. There are some fellowships provided by generous donors but the typical pattern is that of a too-small number of doctoral candidates, dependent upon teaching to support their own research.

We have been bold enough to suggest that desirable enlargement of research activity in accounting might come about, not by diminishing or altering current relationships but by augmenting them with sponsored research, wherein candidates and their faculty advisers may receive appropriate support for engagement in research projects paid for by the sponsors.

Such engagements often oblige investigators to study specified problems and in this sense sponsored research is more restrictive than unsupported investigations can be. But there is always freedom to choose one's field of inquiry and always latitude to move within the field chosen, so the restrictions need not become ties that bind.

More importantly, sponsored research devoted to action problems in the real world can bring to accounting the essential quality of reality not capable of simulation in academic institutions, can augment the present meager efforts in clinical research in accounting, thereby yielding additional inductive knowledge, and, moreover, can often yield returns to sponsors sufficiently large to more than cover research costs. It will not be easy to bring about such research arrangements in accounting, not only because procedures are not established but also because accounting data are often of a confidential nature and may therefore be especially sensitive to the inquisitive, critical processes of research. There are, however, various ways to prevent improper disclosure without sacrifice of research values, and programs of sponsored research should be just as satisfactory, just as feasible and just as productive as they have proved to be in operations research. We recommend that strong efforts be made in this direction.

PROFESSIONAL DEVELOPMENT

While CPAs in large numbers engage in formal programs of professional development, we believe augmentation of these courses to be desirable. Most needed—and currently under rapid development—are programs for instruction in computer techniques, directed toward giving CPA practitioners understanding of computer capabilities and facility to deal with these machines. Such programs will require access to machines by the students and instructors who understand not only computers but accounting problems related to them.

At a more theoretical level, we also strongly recommend professional development programs directed toward updating CPAs in mathematics, statistics, and probability. Since participants will vary markedly in their levels of achievement, programs at different levels of sophistication should be designed and, again, presented by instructors who understand both the mathematical disciplines and the problems encountered by CPAs.

Both of these recommendations impose another requirement quite different from the several-day courses which have been customary. Neither proficiency with computers nor understanding of mathematics can be acquired by brief exposure. Continuity of effort, in the manner of regular adult education classes, will be necessary, a requirement which suggests that academic institutions may play an important role in meeting this professional development need.

FORMAL ORGANIZATIONS

The environment of public accounting is the world of formal organizations, a term we have used consistently in preference to "business" or "industry." While it is true that the work of CPAs is predominantly for business, CPAs also serve other kinds of organizations: eleemosynary, financial, governmental, military. We have chosen the term

"formal organization" to encompass all kinds of clients—and the CPAs' own firms as well.

CPAs must therefore understand the common characteristics of formal organizations and, more pertinently, the changes that have taken place over time. Phenomenal growth in size within the recent past is the most evident such change, along with extension of ownership to a larger fraction of the population.

Comparably, formal organizations have also grown more complex. Executives are more circumscribed than they once were, by regulations of government, by the presence or threatened presence of a union, by necessity for persuading to accomplish what once could be ordered, by the proliferation of staff experts sometimes with divided loyalties, by the more critical character of decisions.

Formal organizations also have changed in their basic structures and these changes have brought about new interfaces for conflict, between geographical, project or functional authority, as one example. Mergers, now often between quite disparate kinds of organizations, also have become commonplace, bringing new problems of unity and integration on the one hand versus appropriate local autonomy on the other. The difficulties faced by CPAs in auditing these complex multi-entities have been compounded in the past and will be further compounded if these trends continue.

Investment decisions of management, for which accounting information is essential, also have become substantially more critical. The magnitude of capital required for investment in new technology is far greater than ever before, while at the same time the useful life expectancies of such investments become shorter. CPAs often advise their clients in such matters and it is incumbent upon them to understand the implications of their advice.

This same comment is pertinent to another aspect of organization change, directly applicable to accounting practice. CPAs are serving their clients in an increasing variety of ways. Indeed, management services are the most rapidly growing components of CPA practice. The consequences of this fact are as important as the fact itself.

To provide services of scope and variety requires knowledge of the same scope and variety. The development of specialists within the profession is one result of these more varied services, a result which in turn requires that tomorrow's beginning CPA possess the requisite *fundamental* knowledge upon which special expertise may be built.

QUANTITATIVE METHODS

Since the end of World War II, quantitative techniques, nearly all of them mathematical and/or statistical, have been conceived and applied to problems of decision-making in formal organizations. Part of the accounting environment, these powerful techniques are being used sucessfully.

Accounting, as the oldest and best established of the quantitative techniques to aid in managerial decisions, is in a singularly strong position with respect to these new methods, provided there is requisite knowledge, creativity and imagination to use them. CPAs have access to sometimes sensitive data, often denied to others or made difficult to retrieve; they enjoy continuity in client relationships; they bear reputations for independence and integrity. These are privileges not often enjoyed by others and may be put to good use, provided that understanding of these quantitative methods is a part of the CPA's intellectual armament.

Discerning accountants always have been aware of the uncertainties embodied in accounting information: the probable collectibility of receivables, an expected decline in inventory, the estimate of the useful life of a depreciable asset. But in financial statements, net income and owners' equity are stated in *deterministic* ways, as though these were *the* answers. Thus accounting, while in truth a *probabilistic* process, historically and to the present day is characterized by an appearance of determinism. We regard it as significant that *all* of the recent quantitative methods for decision-making are formally probabilistic, while the earlier techniques, accounting and work measurement, yield results which are presented in deterministic ways.

While we see few prospects for changes of this kind in published accounting statements, there are some signs that managers, taking advantage of computer capabilities, are asking for and receiving data showing possible alternatives from which they may consider that which is most likely to happen, along with the risks associated with less likely but still possible events. Such accounting innovations lead to our recommendations concerning mathematics, statistics, and probability.

Computers. It is also obvious that a further factor of major significance is that use of computers is growing in formal organizations of every kind and size. Since the financial statements of these organizations are audited by CPAs, it is equally easy to conclude that CPAs cannot escape from direct contacts with computers. They must, therefore, understand them.

EVIDENCE AND OPINION

Four approaches to gathering of information for this study were employed:

1. To a large sample of public accounting firms, a questionnaire was circulated requesting

present and past information about services performed, staff characteristics and staff training practices.

2. Of a sample of collegiate schools of business, present and past college catalogues were reviewed and analyzed.
3. Decks of "subject cards" were mailed to a large select group of knowledgeable persons. Using this vehicle, they were asked to rank each subject in order of its importance to the beginning CPA.
4. Several means were employed to obtain more detailed opinions of knowledgeable persons, including individual interviews, in person and by telephone, group discussions, visits to colleges and public accounting firms, and elicitation of letters from "young CPAs" and others.

EVIDENCE

The Questionnaire on Public Accounting Practice. The statistics compiled from the mass of data collected through the Questionnaire on Public Accounting Practice afford a detailed picture of public practice today and in the past.

One predominant trend in public accounting practice that was shown by the statistics obtained from the questionnaire is toward a wider range of services performed for clients. Also revealed were changes in auditing techniques and in the characteristics of the professional staff.

Overall, the percentage of fees derived from auditing services has increased. Unqualified opinions on the fairness of financial statements are being given more frequently, but there is less detailed checking by the auditor, more use of statistical sampling techniques. Relatively more time is being devoted to reviewing the client's system of internal control.

A broad range of tax accounting services is performed by a large majority of firms. Revenue from this source is less than that from auditing but is still substantial.

Write-up services show some decline, but management and other services are increasing, both as a source of revenue and in the variety of services performed. Overall, it can be said that public accounting firms *have been* performing many kinds of management services and are *increasing* their involvement in these areas.

Paralleling the changes in services performed are changes in the characteristics of professional staff. The educational level is moving higher, with significant increase in the incidence of bachelor's degrees and a lesser increase in graduate degrees. Larger portions of the staffs of public accounting firms are CPAs. There is also evidence of upgrading in staff rank; that is, larger portions hold ranks higher than senior.

More and more firms are participating in the staff training and professional development programs of the professional societies. Among the firms offering internal programs, a wide variety of subjects are covered, with taxation, auditing, and accounting principles dominant.

College Catalogue Study. A review and analysis of current and past college catalogues of a sample of the membership of the American Association of Collegiate Schools of Business was the vehicle by which we learned what changes have taken place in formal education for accountants.

Since the "past" in our review pre-dates the publication of the Ford and Carnegie reports, it is not surprising that we found a decline in the number of required credit hours of accounting and, conversely, an increase in the minimum number of credit hours of nonbusiness subjects.

The computer is the outstanding newcomer in the curriculum and is evident in data processing, systems, and other courses. Details vary, but a number of the schools are teaching computer programming.

Another change observed is the introduction of more advanced topics into the mathematics and statistics courses. Along with this is an increase in the number of hours required in these areas.

Our study found a trend toward graduate schools of business, but not an abandonment of undergraduate programs; that is, more schools are operating at both levels. An interesting observation made in the course of our review of graduate school catalogues is the emphasis upon the interdisciplinary flavor of some accounting and other business courses.

OPINION

Opinions about the common body of knowledge for beginning CPAs were collected from a great many persons in three general ways: by means of interviews, often with single persons, sometimes with small groups; by means of meetings ranging in size from a half dozen to more than a hundred; and by means of the "Card Deck" experiment.

Because the subject of this study is itself elusive, it was not surprising to glean a diversity of views. We could easily cite opinions in support of the findings which follow or, alternatively, cite those in rebuttal, but we do not believe it to be worthwhile for us to argue for or against authority and have therefore stated that the recommendations are our own, shaped and influenced no doubt by many, many opinions but in unknown ways. There has been a great deal of feedback but we can

identify neither what has been filtered out nor what has helped control the proposals made.

Collection of opinion in what could be described as an organized manner was achieved by means of the Card Deck experiment referred to above. Fifty-three cards, each bearing a relevant subject name, were arrayed in fixed random order and mailed to a list of 2,600 respondents, whose names had been compiled by solicitation from a variety of informed sources.

Each of these persons was asked to rearrange the cards in what he believed to be the best rank order of importance for the beginning CPA, with the most important subject card at the top, the least important at the bottom, and others in the order deemed best between these extremes. By this means respondents were required to make forced choice decisions throughout, a procedure which proved frustrating to many. The response to this experiment was almost overwhelming; more than 1,800 usable replies were received, along with much commentary.

Throughout the experiment, during both its formative and analytical phases, we emphasized that no attempt would be made to use results for the establishment of a cut-off threshold for the common body of knowledge. But, in the main, the consensuses of the Card Deck experiment are consonant with the proposals of this report. We have derived emphasis and support for the recommendations on communication skills from the first-place rank given by so many to the subject card "Written and Oral English." Conversely, we have gone contrary to consensus on subjects related to mathematics. It should be noted that accounting, auditing and taxes were accorded high rank by a large majority of respondents.

THE COMMON BODY OF KNOWLEDGE

The conclusions of this study, describing our recommendations for the common body of knowledge for beginning CPAs, are grouped in major categories as follows: Accounting, The Humanities, Economics and Behavioral Science, Law, Mathematics, Statistics, Probability, and The Functional Fields of Business.

ACCOUNTING

Accounting, by its nature, operates within a broad socio-economic environment and, consequently, the knowledge required of the CPA cannot be sharply compartmentalized. The description of the common body of knowledge is characterized by an interdisciplinary flavor, and it is difficult to discuss one area without relating to other areas of knowledge.

Although previously referred to, it is essential to reiterate here that we place great emphasis upon conceptual knowledge; that is, that the beginning CPA not only know, but that he *understand.*

Functions of Accounting. It is our opinion that the beginning CPA cannot perform his role intelligently without a thorough knowledge of the functions of accounting. He must know who utilizes its products, the nature of the decisions to be made and, specifically, how accounting can facilitate this process. In short, the CPA must understand accounting as an integral part of the decision-making process.

Our recommendations concerning *taxes* are that the beginning CPA need not be a tax expert, but he should at least understand the nature of the various taxes, upon whom they are imposed, the tax base, the general range of rates, and any important characteristics or peculiarities. And, while this same broad conceptual approach is recommended for all important taxes, its materiality and wide applicability prompts us to suggest that the beginning CPA have a more detailed knowledge of the federal income tax.

Concepts of Accounting. We do not believe that the beginning CPA should be an expert theorist, but we do feel he should possess a good knowledge of accounting theory; viz., the various approaches to asset measurement, the recognition of liabilities, and the concepts that comprise periodic income measurement. He should know what is meant by the expression "generally accepted accounting principles," the principles themselves, their applicability, their limitations, and the conflicts involving them. Furthermore, his knowledge of accounting theory should not be limited to those principles and practices which are generally accepted.

Since *communication* is an intrinsic part of the accounting process, the CPA must know how to present data in such form as to be readily understandable and of maximum utility. He must also be concerned with the characteristics of information systems that tend to minimize the time elapsing between initial input and useful communication.

The beginning CPA must be familiar with the ways in which accounting information is made reliable. The principle of objectivity must be known, as well as its applications and limitations. The CPA should also understand how the employment of statistical inference can improve reliability through sampling techniques. And, inseparable from the audit scope itself, the concept of internal control and the many ways it may be achieved should be an integral part of his knowledge.

The auditor must be qualified through his tech-

ical competence, his independence and his personal standards. The beginning CPA must know the codes of professional ethics, not just as a collection of rules but as a philosophy of professional behavior.

Audit methodology is not a set of programs that can be committed to memory, but it is a body of ideas that must be comprehended so that the auditor can create his own audit program as the need arises.

Application of Accounting Concepts. We have stated that the common body of knowledge must be conceptual; before dealing with asset measurement, one must understand what constitutes an asset. But this is not enough for one who is to perform a professional service; he must also be familiar with the kinds of assets he can expect to encounter, their characteristics and their problem areas. For example, collectibility is a factor that is uppermost in the valuation of receivables, whereas alternative cost flow is a key factor of inventory presentation. Both receivables and inventories share the general characteristics of all assets, but each evokes problems peculiar to its own nature. Similarly, each of the many classes of liabilities and equity involves special considerations which must be understood by the beginning certified public accountant.

The kinds of formal organization which CPAs encounter also possess certain general characteristics which are unique to each class. The concept of limited liability is essential to the corporate form. Since the partnership is conceptually quite different from the corporation, the CPA must be familiar with those features which distinguish partnerships from other forms of organization.

Above, brief reference was made to inventories and their costing procedures. But in the case of manufactured inventories, costing becomes vastly more complex, embracing the field of cost accounting. The beginning CPA should have knowledge of the application of accounting concepts to production; he should be familiar with such things as cost allocations, cost centers, burden distribution and standard costs. His knowledge should embrace not only the procedures themselves, but also their basic concepts, rationale and limitations.

Methods and Techniques Available to the CPA. As in any profession, accounting employs numerous methodologies to carry out its functions. While there is no need to be a skilled bookkeeper, machine operator or mathematician, the beginning CPA must understand the nature, uses and limitations of the methods and techniques that are available to him. These range from the basic debit-credit structure itself to complex data processing equipment and include the various quantitative techniques.

The Computer. Our recommendations for the common body of knowledge with respect to computers are as follows:

1. That beginning CPAs be required to have basic knowledge of at least one computer system
2. That they have knowledge of at least one computer language (e.g., COBOL)
3. That they possess the ability to chart or diagram an information system of modest complexity
4. That they have the ability to design an information system, prepare a program for it and carry their work through the stages of debugging and testing.

Also desirable is additional knowledge of such concepts as reliability and redundancy, and of computer capabilities for simulation, real time operation, and shared time use.

The substance of these recommendations is that tomorrow's beginning CPA shall have computer capability and fluency to the extent possible with but limited experience.

THE HUMANITIES

This part of the common body of knowledge for beginning CPAs concerns man himself, his history, the philosophies by which he lives, the languages by which he communicates and the arts which give expression to his passion for creativity. For most of these we can give no more than a very general recommendation, for we cannot say that knowledge of literature, art, music, or of a foreign language *is required* of a CPA. We can, however, having so often emphasized the qualities of true professionals, say that the humanities are the hallmarks of cultivated men and women, and we can express the strong hope that beginning CPAs will of their own volition pursue culture as it is exemplified in these areas of learning. A CPA who can listen to music with discernment as well as enjoyment, or one who reads for style and cadence as well as content, or who appreciates the art of drama or painting is likely not only to have a livelier intellect but also to be a better practitioner.

Logic and Ethics. More specifically, CPAs do need to be concerned with two areas of philosophy: logic and ethics. We do not intend to specify that requisite knowledge of these must be the product of exposure to college courses—although that would be desirable—but we do say that beginning CPAs must have sufficient knowledge of logic to demon-

strate capability. Certainly, nearly everything done in future professional practice will be bound by the tenets of logic, for which understanding will be essential.

Ethics, while more elusive to impart and ascertain, is comparably fundamental. If there were no ethical foundation to the profession, there would in fact be no profession. Beginning CPAs, we believe, should *know* these ethical precepts, not in the manner of dogma or catechism but in full understanding of their significance to their own futures, as well as to the future of their profession.

Written and Spoken English. In one area germane to the humanities we have been specific. Whatever a CPA may do in behalf of his clients, the end results must always be communicated, usually in writing, sometimes orally. However communicated, it is essential that there be clarity and specificity, unblemished by incoherence, disunity or ambiguity, untarnished by grammatical, syntactical or rhetorical errors. We have sought to recognize this essential role of written and spoken English by declaring that those who cannot perform above a minimum threshold should be denied admission to the profession.

We further recommend that examiners at various levels of candidates' progress eschew the familiar rationale that they are grading accounting, or economics, or history, or psychology, and *not* English, by making it their practice to judge English on *every* such occasion and informing candidates when they are found deficient. For the guidance of examiners we have proposed in our report three decision rules which give consideration both to technical proficiency and to writing skills.

ECONOMICS

It is important, as part of the common body of knowledge for beginning CPAs, to have appreciation of the social sciences simply as a matter of desirable cultivation for a professional man. Beyond this general recommendation, however, are two areas of social science, knowledge of which may be stated as professionally necessary. These are economics and those aspects of social science which are concerned with the behavior of formal organizations.

The raw materials of accounting are economic events and the products of accounting are used to make decisions and to formulate policies operative in the world of economics. The beginning CPA therefore must have extensive knowledge of this essential subject.

Micro-Economics. Of the two broad divisions of the subject, micro- and macro-economics, we believe more extensive knowledge of micro-economics to be desirable, this being the domain of the individual organization, where economic events are translated into dollars, where there is concern with such matters as value, prices, competition, investment, financial position, income.

Knowledge of micro-economics should encompass the nature of economic forces which affect the firm: the relationship of price to demand, the behavior of costs, cost concepts (marginal, opportunity, etc.), productivity, the role of government in the regulation of business. Some familiarity with antitrust measures, public utility regulation, prohibitions of price discrimination and restrictions on the movement of international capital, as mechanisms of government regulation, should also be understood.

Macro-Economics. Knowledge of micro-economics can provide the CPA with the tools of analysis he uses in his day-to-day work; knowledge of macro-economics, pertaining to the economy as a whole, can provide him with perspective. We regard such knowledge as comparably desirable, not only as intellectual background but also for essential understanding. As the organizations served by CPAs grow increasingly large, diverse and international in the scope of their activities, and as government policies increasingly seek to control the economy, CPAs must increasingly become participants in the formulation of those policies, as well as advisers to those affected by them. Understanding of such matters as monetary theory, resource allocation, business cycles, international finance, national income and its measurement, labor economics and economic planning therefore become significant parts of the CPA's intellectual armament. Comparably, the institutions which comprise the economy, the nature and interactions of government, industry, unions, financial institutions, and the like, become germane to the professional practice of accounting.

BEHAVIORAL SCIENCE

CPAs are advisers to the formal organizations of their clients, and they themselves function as members of formal organizations. Research on the behavior of the individuals and groups who comprise formal organizations is being carried on very actively and one may anticipate that significant results are just over the horizon. Based upon a combination of anticipated and realized results, we recommend that the beginning CPA be required to have knowledge of the fundamentals of psychology and sociology, these to provide a foundation capable of absorbing the future results expected from research in behavioral science.

To those who may regard this as a weak rationale for requiring knowledge, another argument may be offered. Exposure to instruction in business and industrial management has long been a requirement for those preparing to be CPAs. While we do not discount or derogate knowledge pertaining to ownership, location, purchasing, storekeeping, compensation, and the like, we do believe knowledge of the fundamentals of individual and group behavior to be relatively more desirable. Furthermore, we believe this to be so whether behavioral research yields applicable breakthroughs in the future or not.

An added reason for this conclusion is provided by the fact that behavioral research already has yielded applicable insights of significant value. Knowledge that local autonomy yields better organization performance than does tight central control does not prescribe what an executive should do nor tell him how to do it but it does tell him something of transcendent importance about motivation, which—granted adequate understanding—he may use to great advantage. In the same way behavioral research studies of communication, decision-making, innovation, conflict, leadership, authority, learning, perception and creativity are providing knowledge which cannot be categorically prescribed or, like a poultice, applied but which can be understood and used to great advantage.

LAW

We recommend that the beginning CPA be charged with possession of a good knowledge of business law; that is, that he be familiar with the relationships between the parties, the concepts involved, and the special terminology employed. To a lesser degree, but in a philosophical way, we believe he should have a general knowledge of the role of law in society.

These conclusions are based upon our observations of the wide scope of financial activities in which CPAs are engaged and on the nature of accounting itself. In determining the very existence and measurement of assets and liabilities, CPAs must deal with property rights, written contracts of many kinds, commercial paper, and a wide variety of other legal relationships. His involvement with taxes, security issues, corporations, estates, etc., further strengthens our conclusions.

The beginning CPA's knowledge should include an understanding of: enforceability of contracts—the rights, obligations and remedies of the parties; negotiability of instruments; the nature, varieties and evidence of title to property; the implications of the legal distinctions between the corporation and the partnership; the jurisdictions of the more widely applicable administrative laws and the CPA's obligations under them. And because of his special status, the beginning CPA should have an even more extensive knowledge of his own rights and duties under the law, including his liability to his client and to third parties.

We emphasize that our recommendations should not be construed as meaning that the beginning CPA, or even the seasoned veteran, should be a legal expert. In law, as in every other area of knowledge to which accounting relates, the CPA must be able to recognize a problem, and further, must know when it is necessary to consult with a specialist.

MATHEMATICS, STATISTICS, PROBABILITY

A rationale for the organization and conduct of this study could be based upon those prospects for change which in days to come are likely to affect the practices of certified public accountants. In no other areas of knowledge can change be predicted with as great certainty or in as significant degree as in the disciplines germane to mathematics. Changes in the behavioral sciences remain largely prospective; the impact of mathematics, statistics, and probability upon the world of formal organizations—and hence upon the practices of CPAs—already is present.

Our warrant for recommendations which go beyond those to be inferred from the results of the Card Deck experiment derives from both evidence and prediction:

1. CPAs increasingly are confronted with problems of sampling, both in the installation of financial information systems for their clients and in the conduct of their audits. As these practices grow, empirical, judgmental samples will no longer suffice; understanding of sampling theory will be required.
2. CPAs increasingly are confronted with mathematically derived decision rules in the systems of their clients' organizations. To conduct audits in such situations, understanding will, to say the least, be necessary.
3. CPAs themselves increasingly are engaged in the performance of services for their clients which utilize quantitative methodologies.
4. Information and control systems often are encountered by CPAs in performance of the audit function and in providing advisory services. A measure of mathematical sophistication is necessary in many such situations.
5. It appears probable that accounting itself, at both operational and instructional levels, increasingly will make use of symbolic notation.

As in every other part of this report, we place much higher value upon conceptual understanding

than procedural skills. Accountants, by and large, deal with discrete rather than continuous phenomena;[1] one might say therefore that finite mathematics is to be valued above calculus. While we agree with this, we once again argue that topical knowledge is secondary; the important thing is that tomorrow's CPAs have the same feeling for, understanding of and facility with the symbols of mathematics that they have always had with numbers, the symbols of arithmetic. It matters little whether this facility derives from algebra or calculus, new math or old, topology or geometry; the important thing is the achievement of an enhanced *rapport* between the disciplines of mathematics and the disciplines of accounting on the part of tomorrow's CPAs.

The substance of this recommendation does *not* require that the beginning CPA be a mathematician, statistician or probabilist, not at all. It does ask that the beginning CPA be trained to conceptualize, to think in symbols, just as he has always thought in numbers, just as a Frenchman thinks in French. As stated elsewhere, the beginning CPA must be *literate* in mathematics, but he need not be *literary*.

Mathematics, statistics, and probability all depend upon the abstractions of symbolic notation and this demands the conjunction of suitable aptitudes and requisite motivation.

Since correlations between aptitudes for mathematics and other disciplines are lower than between aptitudes for other fields (e.g., an individual with aptitude for history is likely to be apt in other discursive subjects as well; he may also be facile in mathematics but this is less likely), it may be that some change will be needed in the talents of those seeking to enter the profession. But since accounting itself is quantitative, there seems little reason to be fearful on this score, especially since enhanced requirements seem always to attract more talented recruits.

Despite good aptitudes, motivations are not infrequently dampened by excessively abstract presentation; we therefore strongly recommend copious and meaningful exemplification to reinforce learning.

A syllabus prepared by the Committee on Undergraduate Program in Mathematics[2] is appended to the report on the Common Body of Knowledge. While we believe this syllabus to be the best of its kind in existence, we do not propose slavish adoption but remain more concerned with conceptual understanding.

The common body of knowledge that is presented here calls for substantially *more* knowledge of mathematics, statistics, and probability than hitherto has been needed by beginning CPAs. But in the days to come we think it likely that our recommendations may be *less* than needed for professional practice. These proposals therefore must be regarded over time as minimal. What we recommend is not intended as a static inventory of knowledge but as a foundation upon which a beginning CPA can build.

THE FUNCTIONAL FIELDS OF BUSINESS

Finance. Since finance is by its nature identified with the functions of accounting itself, one cannot understand accounting without a knowledge of finance. We conceive of the body of financial knowledge in two broad classes: evaluation of capital needs and sources, and the financial environment.

As to the former, we believe the beginning CPA should be capable of making financial projections; he should understand and know how to develop the various ratios, turnovers, and use other analytical tools. Furthermore, he should understand the factors involved in, and know how to determine the cost of, alternative sources of capital.

Since financial institutions comprise a large portion of the environment in which he will work, the beginning CPA should have a fair knowledge of the functions and operations of the more widespread kinds of institutions, including those of government. His knowledge should also include the terminology of finance.

Production. CPAs are engaged frequently by clients who are themselves engaged in manufacturing and from this circumstance it follows that some knowledge of production is necessary. Again emphasizing conceptual understanding, we recommend that beginning CPAs have a good grasp of the two basic production procedures: the continuity of process manufacturing on the one hand and the

[1] "*Continuous* means that the variable can assume any numerical value within a particular range. For instance, a dimensional measure can be divided into fractional parts of any size. . . . Weight, length and time are common examples of continuous variables. . . .

"*Discrete* variables, in contrast, change in definite increments and cannot assume a numerical value between the increments. Money, for example, is discrete in the sense that you can pay a man only to the nearest cent. People are discrete in the sense that they can only be counted as integers; i.e., whole numbers."

Clifford H. Springer, Robert E. Herlihy and Robert I. Beggs, *Basic Mathematics*, Volume I of the Mathematics for Management Series, Richard D. Irwin, Inc., 1965, p. 32.

[2] "Tentative Recommendations for the Undergraduate Mathematics Program of Students in the Biological, Management and Social Sciences," Mathematical Association of America, January 1964.

interrupted sequences of jobbing production on the other.

Also relevant is the relationship between cost accounting systems and the production processes which they often parallel, not infrequently becoming realistic accounting models of the factory itself. Understanding of this plus adequate acquaintance with the terminology of accounting related to production (e.g., relevant cost, incremental cost, sunk cost, production center, etc.) become proper parts of the common body of knowledge. So also does knowledge of cost-volume relationships, often assumed to be simple, more often found to be complex as a consequence of cost discontinuities which make both computations and predictions difficult. The beginning CPA should have a firm grasp of this important area, including coverage of those methods related to concepts of economic lot size.

Decisions on capital investment are often intertwined with considerations such as these, and this of course is an area in which CPAs have served clients for a long time. Knowledge of how to compare present and prospective production procedures; how to make break-even analyses; how to take account of such matters as opportunity costs, sunk costs, cash position, and relevant taxes; and how to predict the elusive costs of transition and prevent or minimize the now-familiar phenomenon of cost overrun; all these are part of the necessary intellectual equipment of certified public accountants.

Marketing. Our recommendation with respect to marketing's place in the common body of knowledge for beginning CPAs is best described as an orientation. The key roles played by sales management, product planning, physical distribution, and the like, should be understood sufficiently so that these vital functions are served by the information system. The nature of the decisions to be made and the kinds of data needed to facilitate these decisions should be known to the beginning CPA.

Of the marketing environment, the retailing-wholesaling system, we suggest only minimal knowledge.

Elsewhere, our recommendations include knowledge of human behavior. With this, the beginning CPA will have a general appreciation of the human factors involved in the marketing function: consumer behavior, sales personnel incentive and advertising psychology.

Personnel Relations. Management of the many individuals who comprise formal organizations is a major concern of every executive, and knowledge in this area is important to CPAs, both as members of their own firms and for understanding of the client organizations they serve. We believe,

The above article was prepared by Directors Roy and MacNeill as a summary of their full report, which will be published in 1967 by the AICPA.

Policy direction and control of the study were vested in the Commission on the Study of Common Knowledge for CPAs. The members of the Commission were:

Elmer G. Beamer, CPA, partner, Haskins & Sells, Cleveland
Courtney Brown, dean, Graduate School of Business, Columbia University, New York City
Richard S. Claire, CPA, partner, Arthur Andersen & Co., Chicago
Sidney Davidson, CPA, Arthur Young professor of accounting, Graduate School of Business, University of Chicago
*Milton Drake, senior vice president, The Detroit Bank & Trust Company
Henry P. Hoffstot, Jr., attorney, partner, Reed, Smith, Shaw & McClay, Pittsburgh
Charles E. Johnson, CPA, dean, College of Liberal Arts, University of Oregon, Eugene
Robert K. Mautz, CPA, professor of accountancy, University of Illinois, Urbana
Leonard Price, CPA, partner, Klein, Hinds & Finke, New York City
Marvin L. Stone, CPA, partner, Stone, Gray and Company, Denver, Colo.
Robert M. Trueblood, CPA, partner, Touche, Ross, Bailey & Smart, Chicago
Phillip West, vice president, New York Stock Exchange, New York City

Edward S. Lynn, formerly director of education of the AICPA, and now professor of accounting at the University of Arizona, served as secretary of the Commission.

*Mr. Drake died early in 1966. He attended every meeting of the Commission except the final one.

however, that requisite knowledge for beginning CPAs is best given a sound foundation through the behavioral sciences.

Business Management. Analogously, we have said that knowledge of this functional field of business can also best be acquired through the behavioral sciences. But we have recognized that the beginning CPA himself often becomes a business manager, as an executive in his own firm. In this capacity he must be concerned with capital requirements and means for financing the firm's operations, with setting and collecting fees, with attracting and retaining clients and with accounting for the firm's affairs. We have not recommended these as necessary for beginning CPAs but have pointed them out as important.

CONCLUSION

As a conclusion, we reaffirm our consistent position: To perform the services which are within reach, and which the public will come to expect, requires the efforts of a professional.

The beginning CPA must therefore have a conceptual grasp of accounting, its interdisciplinary aspects, the environment in which it functions, and of those bodies of knowledge which are ancillary to its central purpose. Finally, he must be prepared to grow with changing conditions and ideas. These are the horizons we have tried to portray.

Keeping Up With the Juniors

Those entering our profession and many who have entered in recent years have had considerably more academic education than their predecessors. Their formal training has not been confined to the narrow field of accounting and auditing, but has included such technical areas as advanced mathematics, statistics, electronics and other physical sciences, and also knowledge in greater depth in the humanities and in the social sciences. Our newcomers are better educated. They will learn faster in order to meet the dynamic changes of today and to fulfill our new role of general adviser to business. But are we, the senior members of the profession who have been away from academic halls for several years, able to meet the challenge of the better educated beginners? If we want to keep pace with the younger men, and progress as quickly in the next several years as the new staffmen demand and will, how do we propose to meet this summons and grow along with them?

From a speech by STANLEY D. FERST, president of the Pennsylvania Institute of Certified Public Accountants, at the PICPA annual meeting, June 29, 1966

SB22 Exhibit "B"

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January 21, 1969

Honorable Senator David F. James, Chairman
Montana Senate
State Administration Committee
State Capitol Building
Helena, Montana 59601

Mr. Chairman and Members of the Committee:

There has been indroduced into this Legislature, Senate Bill Number 22, in regard to the Public Accounting Profession in the State of Montana.

As a practicing Public Accountant since December 1943, enrolled to practice before the Internal Revenue Service, and residing in Shelby, Montana, I welcome the privilege of presenting my views in regard to the above mentioned Legislation.

As a further background, I might mention that I graduated from Shelby High School in 1935 and thereafter, worked for approximately one year before attending Kinman Business University, at Spokane, Washington, where I studied accounting. In 1939, I returned to Montana and was employed as bookkeeper and accountant for a private enterprise and in December 1943, went into Public Accounting Practice.

I mention my background to indicate that education was difficult to obtain 25 or 30 years ago. Likewise the requirements for being in public practice were not as demanding.

Since the early forty's, there have been many changes, in that various government organizations now require financial statements and financial information, which they request be prepared by a Licensed Accountant, or a Certified Public Accountant. Secondly, financial institutions, such as loaning institutions and local banks, are more particular about obtaining financial statements signed by a qualified Accountant or Certified Public Accountant. Thirdly, in the past 30 years there have been many changes in the income tax laws of the United States and a much more sophisticated knowledge of income tax laws are now required to do workmanlike job for individual farmers, ranchers and business men..

Regulations and tax laws are becoming much more complicated and it requires broader educational background in order to cope with the ever increasing involvements with present day accounting and taxation problems.

To keep pace with the modern trends, all professions are upgrading their educational qualifications and skills, this bill does the same for the accounting profession.

It is impossible today, for a high school graduate to step into the maize of accounting problems and tax decisions and to learn by experience without a college level educational background.

In my practice, I find it becomes more and more important to advise clients in decision making policy, concerning the operation of their business and investments, which require long term financing. In short, a much more refined type of recommendation or decision is necessary as compared with even 10 years ago.

It seems to me with the more sophisticated type of accounting practice, and preparation of financial reports and supplemental information, which are required by various segments of society, such as the United States Government, Montana State Government, Municipalities and Private Enterprise the matter of ethics becomes quite important. Ethics, I think, go hand in hand with education and association with professional organizations, which promote higher ethics.

The way I read the Senate Bill Number 22, is that this bill, does not deprive anyone of making a living by whatever means they wish to do so, but if they should like to hold themselves out as a Public Accountant or as a Certified Public Accountant, it is necessary for them to meet certain ethical requirements and certain educational requirements, which at the moment, are non-existent.

I, as an individual practicing accountant, and as a member of the firm of Woldtvedt, Wright & Lambrecht, wish to strongly advocate passage of this bill.

WOLDTVEDT, WRIGHT & LAMBRECHT

By

B. J. Woldtvedt

January 27, 1969
3:00 p.m.

Chairman James called to order a meeting of the committee on STATE ADMINISTRATION on the above date with a full committee present.

SENATE BILL 134 was amended with Senator Rostad moving the amendments; seconded by Senator Mackay and carried. Senator Rostad moved SENATE BILL 134 DO PASS AS AMENDED, Senator McKeon seconded the motion, and it carried.

SENATE BILL 252 was reviewed by the following proponents: Mr. W. H. Clark, Regional Counsel of the Small Business Association; who stated that this is to create a State Development Association for the use of either new businesses or pre-established ones. He also stated that a bill similar to this one passed the House each session for the last two sessions but that it has never passed the Senate. Mr. Clark said that 30 states have a similar law.

Wesley W. Wirtz of the Montana Bankers Association stated that this bill would make risk capital more available. Mr. George Schotte, regional director for the SBA, Mr. Ernest A. Neath, of the Department of Planning and Economic Development and Mr. D. H. Siewert, Montana Chamber of Commerce all spoke as proponents of the legislation.

Senator Nees was excused to attend to other business.

Senator McKeon and Senator Lyon were appointed as a sub committee to look into the reasons for the bill not passing the Senate last session.

SENATE BILL 22, accountants, was amended upon motions made by Senator McKeon, seconded by Senator Rosell; and carried; made by Senator Mackay, seconded by Senator Rostad, and carried; Senator McKeon, seconded by Senator Lyon, and carried. Senator McKeon and Chairman James were excused to attend another meeting and Senator McDonald was appointed temporary chairman. Senator Rosell moved to amend Section 6, line 25, seconded by Senator Rostad and carried. Senator Mitchell registered his dissenting vote. Further amendments were made upon motions made by Senator Rosell, seconded by Senator Mitchell, and carried; Senator Mackay, seconded by Senator Lyon and carried; and made by Senator Mackay, seconded by Senator Lyon.

These amendments were to be drawn up for use by the committee.

There being no further business to come before the committee, Senator McDonald declared the meeting adjourned.

James
JAMES

January 29, 1969
8:00 a.m.

Chairman James called to order a meeting of the committee on STATE ADMINISTRATION on the above date, with a quorum present.

SENATE BILL 252 was reported on by its sub committee, Senators McKeon and Lyon, who stated they needed until the next meeting to get in touch with other people on it.

SENATE BILL 16 was reported on by its sub committee, Senator McKeon and Senator Rostad, who suggested an amendment on page 1, line 28. This was made a motion by Senator McKeon and seconded by Senator Mackay, and carried. Senator McKeon moved SENATE BILL 16 DO PASS AS AMENDED; seconded by Senator Lyon and carried.

Senator McDonald was thanked by Chairman James for chairing the remainder of the meeting on January 27.

SENATE BILL 22 was further amended in Sections 28, 30 and 31 with unanimous votes on all motions. Senator Mackay moved SENATE BILL 22 DO PASS AS AMENDED; second by Senator Nees and unanimously carried.

The meeting was adjourned without objection and the members were reminded of a joint meeting and public hearing on SENATE BILL 31 which was to be held at 7:00 p.m. on this same date in the House Chambers. A further meeting was scheduled for Thursday, January 30 in the House committee rooms, as a joint meeting and a regular committee meeting was scheduled for Friday, January 31, 8:00 a.m.

James

JAMES

BUSINESS AND INDUSTRY COMMITTEE

February 14, 1969

The Business and Industry Committee met on February 14, 1969, in Room 434 of the State Capitol with Chairman Pierce presiding. Fourteen members were present.

The meeting was called for the purpose of hearing SB22, a bill to license and regulate the profession of accountancy.

Chairman Pierce outlined the rules, thirty minutes each for the opponents and proponents, with ten minutes for rebuttals.

Proponents to the bill were first. Mr. Wm. Scribner of Helena explained the bill which would raise the standards of the profession of accountants to require a BA degree in order to practice in Montana. Others who spoke as proponents were: Mr. Jack Kempar of the University of Montana; Mr. Norvill Besinque;Mr. Tony Gerharz and Mr. Frank Fredricks of Billings; Mr. George Anderson of Helena and others who were introduced but did not testify.

Opponents to the bill were introduced by Mr. Howard Porter of the Billings Business College. Mr. Porter outlined the need for an accountancy course in the business colleges in Montana and told the committee of the specialization needed in today's business world. Others to testify were the presidents of the business colleges of Great Falls, Helena, Butte and Missoula.

A question and answer period followed and the meeting adjourned at 12:10 P.M.

JOHN H. PIERCE, CHAIRMAN

lb

BUSINESS AND INDUSTRY COMMITTEE

February 19, 1969

The Business and Industry Committee met in Room 434 of the State Capitol on Wednesday, February 19, 1969, at 10:30 A.M. with Chairman Pierce presiding. Fifteen members were present.

Senator Sheehy appeared to discuss SB65, a bill which would allow survivors to withdraw up to $1,000 from financial institutions without probate proceedings.

Senator Sheehy also discussed SB202 and SB203, which regarded railroad regulations. Mr. James Mular of the Railroad Brotherhood appeared as a proponent to the bill. Opponents were Mr. Ty Robinson of the Montana Railroad Association and Mr. Edwin Booth, attorney for the association.

SB271 was explained by Mr. L. J. Eskildsen of the Alpha Industries. The bill would grant a price differential on liquor manufactured in Montana. In opposition to the bill was Mr. Maurice Druhl of the National Distilled Spirits Institute.

At the close of the hearings, Chairman Pierce asked the committee to vote on the following bills:

SB22..Rep. Warfield moved BE CONCURRED IN. Rep. Burnett withdrew a substitute motion and the bill carried on a BE CONCURRED IN vote.

SB202 and SB203..Rep. Burnett moved DO NOT CONCUR. Rep. Laas offered a substitute motion DO CONCUR. Vote count gave 6 for and 8 against. Motion failed. The original motion DO NOT CONCUR was then voted on. Motion carried.

SB65..Rep. Combs moved DO CONCUR. Motion carried.

SB271..Rep. Combs moved DO CONCUR. Substitute motion by Rep. Burnett that the time be limited to 2 years. Motion failed. Original motion DO CONCUR carried.

Meeting adjourned at 11:55 A.M.

JOHN H. PIERCE, Chairman

lb

process fo being transferred in the office of the registrar of motor vehicles, upon making an affidavit to that effect upon a form prescribed by the registrar of motor vehicles and upon the payment of a fee of two dollars ($2.00) to be collected by the county treasurer and remitted to the registrar of motor vehicles, obtain from the county treasurer of the county in which said vehicle is subject to tax a temporary windshield sticker of such size, color and design as the registrar of motor vehicles may prescribe, to be validated by the county treasurer for a period of *sixty (60)* days from the date of issuance, and such purchaser, upon displaying such sticker on the lower right-hand corner of the windshield of such motor vehicle and upon displaying the number plates or plate assigned thereto for the previous year (unless the seller has been unable to deliver such previous year's plate or plates) shall be entitled to operate such vehicle during the period for which such windshield sticker has been validated without displaying the registration certificate or number plates or plates for the current year. Provided, however, the county treasurer shall not sell, or no person shall purchase more than one (1) *sixty (60)* day temporary windshield sticker for any vehicle, the ownership of which has not changed since the issuance of the previous *sixty (60)* day windshield sticker. Provided, further, however, that any purchaser of a new motor vehicle from a duly licensed motor vehicle dealer shall have the grace period of three (3) days from the date of purchase to make such application for registration and obtain registration plates, and it shall not be a violation of this chapter or any other law for such purchaser to operate such new motor vehicle upon the streets and highways of this state without a certificate of registration and registration plates during the said three-day period; providing further that such purchaser must have in his possession a valid bill of sale or other satisfactory evidence of ownership."

Approved: February 24, 1969.

CHAPTER 117

An Act to Provide for a One (1) Day Nonresident Fishing License to be Issued by the State Fish and Game Commission.

Be it enacted by the Legislative Assembly of the State of Montana:

Nonresident one day fishing license.

Section 1. **Nonresident one (1) day fishing license (Class B-4.)** Any person not a resident as defined in section 26-202.3, R.C.M. 1947, who is a holder of a valid *wildlife conservation* license, upon payment of the sum of one dollar ($1) to any agent of the state fish and game commission authorized to issue fishing and hunting licenses, shall be entitled to a one (1) day nonresident fishing license, which shall authorize the holder to fish with hook and line as prescribed by rules and regulations of the commission for one (1) calendar day as indicated on the license.

Effective date.

Section 2. This act shall be in full force and effect from and after May 1, 1969.

February 26, 1969.

Approved: February 26, 1969.

CHAPTER 118

An Act Licensing and Regulating the Practice of Public Accounting in the Public Interest; Creating a State Board of Public Accountancy and Prescribing Its Powers and Duties: Providing Penalties for Violation of the Provisions of this Act: Repealing Sections 66-1801, 66-1802, 66-1803, 66-1804, 66-1805, 66-1806, 66-1807, 66-1809, 66-1810, 66-1811, and 66-1812, of the Revised Codes of Montana, 1947, as Amended, and All Other Acts and Parts of Acts in Conflict Herewith.

Be it enacted by the Legislative Assembly of the State of Montana:

State board of public accountancy—membership.

Section 1. **State Board of Public Accountancy.** Membership. There is hereby created a state board of public accountancy, which shall consist of five (5) members. The initial term of one (1) member shall be for a period of two (2) years; the initial term of two (2) members shall be for a period of four (4) years; and the initial term of two (2) members shall be for a period of six (6) years. Upon the expiration of an initial term, the successor shall thereafter be appointed by the governor for a term of six (6) years. The governor shall appoint two (2) public accountants to the board within thirty (30) days after the

effective date of this act, one (1) of said public accountants to s erve an initial term of four (4) years and the other said public accountant to serve an initial term of six (6) years. The remaining members of the board shall be certified public accountants appointed by the governor within thirty (30) days after the effective date of this act, and the governor within said thirty (30) days shall designate one (1) of said persons to serve an initial term of two (2) years, one (1) of said persons to serve an initial term of four (4) years, and one (1) of said persons to serve an initial term of six (6) year. Vacancies occurring during a term shall be filled by appointment for the unexpired term. Upon the expiration of his term of office, a member shall continue to serve until his successor shall have been appointed and shall have qualified.

Qualifications of board members.

Section 2. **Qualifications of Board Members.** The board shall consist of three (3) members who are certified under section 7 hereof, and two (2) members who are licensed public accountants under section 8 but do not possess certificates as certified public accountants. All members must be citizens of the United States and residents of this state, and holders of current licenses under section 21. The certified public accountants on said board appointed by the governor must have been certified and actively engaged in the practice of public accounting for at least five (5) years prior to their appointment. No two (2) such members shall be residents of the same county. The other board members must have been actively engaged in the practice of public accounting for at least five (5) years prior to their appointment. No two (2) such members shall be residents of the same county.

The Montana Society of Certified Public Accountants shall submit to the governor biennially a list of names of two (2) candidates from which the appointments of certified public accountant board members may be made, and the Montana Society of Public Accountants shall submit to the governor biennially a list of names of two (2) candidates from which the appointments of licensed public accountant board members may be made; but the governor, in making appointments, shall not be restricted to the names so submitted. The governor shall remove from the board any member whose license to practice has become void, or has been revoked or suspended, or who ceases to be engaged in the practice of public accounting and may, after hearing, remove any member of the board for neglect of duty or other just cause. No person who has served two (2) successive complete terms of two (2), four (4) or six (6) years shall be eligible for reappointment until after the lapse of one (1) year. Appointment to fill an unexpired term is not to be considered as a complete term.

Organization and compensation of board members.

Section 3. **Organization and Compensation of Board Members.** The board shall elect annually a chairman, a secretary, and a treasurer from its members and all or any two (2) of such officers may sign and approve claims filed against the board of accountancy for payment of all expenses incurred under this act. The board may adopt, and amend from time to time, rules and regulations for the orderly conduct of its affairs and for the administration of this act. A quorum for the transaction of business shall consist of at least three (3) members of the board. The board shall have a seal which shall be judicially noticed. The board shall keep records of its proceedings and in any proceeding in court, civil or criminal, arising out of or founded upon any provision of this act, copies of said records certified as correct under the seal of the board shall be admissable in evidence as tending to prove the content of said records. The board may employ such personnel and arrange for such assistance as it may require for the performance of its duties. Each member of the board shall receive, as compensation, the sum of twenty dollars ($20) per diem for each day actually engaged in the duties of his office, and, in addition, shall be reimbursed for his actual and necessary expenses incurred in the discharge of his official duties.

Disposition of funds.

Section 4. **Disposition of funds.** All fees and other moneys received by the board pursuant to the provisions of this act shall be deposited with the state treasurer to the account of the earmarked revenue fund for the use of the state board of public accountancy. All existing funds and accumulated balances held for the purpose of administering pre-existing accountancy laws shall be transferred to said earmarked revenue fund.

Rule making powers of the board.

Section 5. **Rule making powers of the board.** The board may promulgate and amend rules of professional conduct appropriate to establish and maintain a high standard of integrity, dignity and competency in the profession of public accountancy. At least sixty (60) days

prior to the promulgation of any such rule or amendment, the board shall mail copies of the proposed rule or amendment to each holder of a license issued under section 21 of this act with a notice advising him of the proposed effective date of the rule or amendment and requesting that he submit his comments thereon at least fifeen (15) days prior to such effective date; such comments shall be advisory only. The secretary's certificate of mailing to all licensed accountants shall be conclusive proof thereof.

Examining committee.

Section 6. **Examining committee.** The members of the board shall constitute the examining committee. This committee shall hold and grade a written examination in accounting and auditing and such related subjects as the examining committee shall determine to be appropriate. The grade determination of the examining committee shall be final in each case. The examining committee shall use the examination and grading services of the American Institute of Certified Accountants. The examination is to be held at least annually and at such other times as applications warrant. The examining committee may determine the time and place of examination and may adopt such rules as are necessary to the orderly conduct of its affairs.

Certificates of certified public accountants.

Section 7. **Certificates of certified public accountants.** A certificate shall be issued by the board to any person:

(a) Who is (1) a citizen of the United States or who has duly declared his intention of becoming a citizen, (2) is a resident of this state or has a place of business herein or, as an employee, is regularly employed herein, (3) has attained the age of twenty-one (21) years, and (4) is of good moral character;

(b) Who shall have successfully passed the certified public accountants' examination; and

(c) Who meets the requirements of education and experience set forth in sections 10, 11, 12 and 13 of this act.

Registration of public accountants.

Section 8. **Registration of public accountants.** Registration as a public accountant shall be available to any person:

(a) Who is (1) a citizen of the United States or who has duly declared his intention of becoming a citizen, (2) is a resident of this state or has a place of business herein or, as an employee, is regularly employed herein, (3) has

attained the age of twenty-one (21) years, and (4) is of good moral character;

(b) Who meets the requirements of education and experience set forth in sections 10, 11, 12 and 13 of this act; and

(c) Who fulfills and complies with the qualifications and requirements set forth in any one of the subdivisions of section 9 of this act.

Further requirements for registration of public accountants.

Section 9. **Further requirements for registration of public accountants.** (a) Persons who held themselves out to the public as public accountants for a minimum of one (1) year prior to July 1, 1969 and who were engaged as principals (as distinguished from employees) within this state on the effective date of this act in the practice of public accounting as their principal occupation may register with the board on or before December 31, 1969, and upon such registration and payment of the license fee, may be licensed by the board as a licensed public accountant. A principal is defined as either the owner of or a partner is an existing accounting practice on the effective date of this act. Initial registration under this subdivision shall not be available after December 31, 1969.

(b) Persons serving in the armed forces of the United States of America on the effective date of this act who immediately prior to entering such service held themselves out to the public as public accountants and who were engaged as principals (as distiguished from employees), within this state, in the practice of public accounting as their principal occupation prior to said service in the armed forces, may register with the board at any time within six (6) months after the date of their separation from active service, and upon such registration and payment of the license fee, be licensed by the board as a licensed public accountant.

(c) Any person who does not qualify under and comply with the provisions of subdivisions (a) or (b) hereof must fulfill the following additional requirements, as a prerequisite to the issuance of a license as a licensed public accountant:

(i) he must pass the written examination in accounting practice, and

(ii) he must also pass the written examination in either accounting theory or auditing, or in lieu of the examination in auditing or theory, he must be the holder of a United States Treasury card which is in good standing at the time of his sitting for the examination in accounting practice. The examinations referred to in this subdivision shall be those prescribed for such subjects under section 6 of this act, and shall be conducted and graded by the same standards as those given to candidates for certified public accountant.

Education and experience requirements for years ending December 31, 1971 and prior thereto.

Section 10. **Education and experience requirements for the years ending December 31, 1971 and prior thereto.** For the years ending December 31, 1971, and prior thereto, education and experience requiremnts shall be graduation from a high school with a four-year course of study, or an equivalent education, or commercial experience in accounting sufficient, in the judgment of the board, to justify a waiver of such education requirement.

Education and experience requirements for the years ending after December 31, 1971, and prior to January 1, 1975.

Section 11. **Education and experience requirements for the years ending after December 31, 1971, and prior to January 1, 1975.** For the years ending after December 31, 1971, and prior to January 1, 1975, education and experience requirements shall be as follows:

(a) satisfactory completion of two (2) years of study in a college or university accredited to offer a baccalaureate degree or an equivalent education in the judgment of the board; and

(b) one (1) year of experience in public, private, or governmental accounting of nature and quality satisfactory to the board.

Education and experience requirements for the years ending after December 31, 1974.

Section 12. **Education and experience requirements for the years ending after December 31, 1974.** For the years ending after December 31, 1974, education and experience requirements shall be as follows:

(a) graduation from a college or university accredited to offer a baccalaureate degree, or an equivalent education in the judgment of the board; and

(b) one (1) year of experience in public, private or governmental accounting of a nature and quality satisfactory to the board.

Applicability of education and experience requirements.

Section 13. **Applicability of education and experience requirements.** (a) None of the foregoing education and experience requirements shall apply to a candidate for certified public accountant who holds a current license as a public accountant, or who, on the effective date of this act, was employed as a staff accountant in this state by a practicing public accountant, and is so employed at the time of his examination.

(b) A candidate who is otherwise eligible may take the examination provided for in section 6, before meeting the age and experience requirements herein specified, but the successful completion of such examination shall not qualify him for a certificate or a license as a public accountant until he meets such requirements.

(c) The examining committee may by regulation provide for granting a credit to a candidate for his satisfactory completion of a written examination in any one or more of the subjects of examination given by the licensing authority in any other state, if when he took such examination he was not a resident of this state. Such regulations shall include such requirements as the examining committee shall determine to be appropriate in order that any examination approved as a basis for any such credit shall, in the judgment of the examining committee, be at least as thorough as that included in the most recent examination given by the examining committee at the time of the granting of such credit.

(d) The experience requirements herein set forth need not be continuous or for one (1) employer.

Except as provided in subparagraph (a) above, the applicable education and experience requirements shall be those in effect on the date of the examination by which the candidate successfully completes his examination; but the board may provide by regulation for exceptions to the general rule in order to prevent what it determines to be undue hardship to candidates resulting from changes in the education and experience requirements.

Powers of board.

Section 14. **Powers of board.** The board shall have power to prescribe, by uniform rule, for the following:

(a) The terms and conditions under which a candidate who passes one or more subjects of examination may be re-

examined in only the remaining subjects, with credit for the subjects previously passed;

(b) A reasonable waiting period for a candidate's re-examination in a subject he has failed;

(c) The maximum number of reexaminations for which a candidate may apply;

(d) The fees to be charged each candidate for initial examinations and special examinations, not in excess of fifty dollars ($50) each, and for reexaminations, not in excess of ten dollars ($10) for each subject in which the candidate is reexamined.

Existing certificates.

Section 15. **Existing certificates.** Reciprocity. Persons who, on the effective date of this act, held certified public accountant certificates heretofore issued under the laws of this state shall not be required to obtain additional certificates under this act, but shall otherwise be subject to all provisions of this act; and such certificates heretofore issued shall, for all purposes, be considered certificates issued under this act and subject to the provisions hereof.

The board, in its discretion, may waive the examination and issue a certificate as a certified public accountant to any person otherwise eligible therefor, who is the holder of a certificate as a certified public accountant, then in full force and effect, issued under the laws of any state, or is the holder of a certificate, license or degree in a foreign country constituting a recognized qualification for the practice of public accounting in such country, comparable to that of a certified public accountant in this state, which is then in full force and effect, where the requirements entitling him to practice as such certified public accountant were substantially equivalent to those in force in the state of Montana at the time the certificate was originally issued.

The board in its discretion, may waive the examination and register as a public accountant any person otherwise eligible therefor, who is the holder of a license as a public accountant, then in full force and effect, issued under the laws of any state, or is the holder of a license or degree in a foreign country constituting a recognized qualification for the practice of public accounting in such country, comparable to that of a licensed public accountant in this state, which is then in full force and effect, where the requirements entitling him to practice as such licensed public accountant were substantially equivalent to those in force in the state of Montana at the time the license was originally issued.

Registration of foreign accountants.

Section 16. **Registration of foreign accountants.** The board may in its discretion permit the registration of any person of good moral character who is the holder of a certificate, license or degree in a foreign country constituting a recognized qualification for the practice of public accounting in such country. A person so registered shall use only the title under which he is generally known in his country, followed by the name of the country from which he received his certificate, license or degree.

Partnership composed of certified public accountants.

Section 17. **Partnership composed of certified public accountants. Registration thereof.** A partnership engaged in this state in the practice of public accounting may register with the board as a partnership of certified public accountants provided it meets the following requirements:

(a) At least one general partner thereof must be a certified public accountant of this state in good standing, and must hold a license issued under section 21 which is in full force and effect.

(b) Each partner thereof personally engaged within this state in the practice of public accounting as a member thereof must be a certified public accountant of this state in good standing and must hold a license issued under section 21 which is in full force and effect.

(c) Each partner thereof must be a certified public accountant of some state in good standing.

(d) Each staff member who is employed within this state, and who is certified under section 7 or registered under section 8, must also hold a license issued under section 21 which is in full force and effect.

Application for such registration must be made upon the affidavit of a general partner of such partnership who is a certified public accountant of this state in good standing. The board shall in each case determine whether the applicant is eligible for registration. A partnership which is so registered may use the words "certified public accountants" or the abbreviation "CPA's" in connection with its partnership name. Notification shall be given the board

within one (1) month after the admission to or withdrawal of a partner from any partnership so registered.

Temporary certificate and temporary license.

Section 18. **Temporary certificate and temporary license.** (a) In the event an applicant for a certificate as a certified public accountant meets all of the requirements for such certificate, other than the residence requirement, the board may, in its discretion, issue to him a temporary certificate as a certified public accountant which shall be effective only until the board shall notify him that his application has been either granted or rejected. In no event shall such temporary certificate be in effect for more than twelve (12) months.

(b) In the event an application for registration as a public accountant meets all of the requirements for such registration, other than the residence requirement, the board may, in its discretion, issue to him a temporary license, as a licensed public accountant, which shall be effective only until the board shall notify him that his application has been either granted or rejected. In no event shall such temporary license be in effect for more than twelve (12) months.

Partnership composed of public accountants.

Section 19. **Partnerships composed of public accountants. Registration thereof.** A partnership engaged in this state in the practice of public accounting may register with the board as a partnership of public accountants provided it meets the following requirements:

(a) At least one (1) general partner thereof must be a certified public accountant or a licensed public accountant of this state in good standing and a holder of a license issued under section 21 in full force and effect.

(b) Each partner thereof personally engaged within the state in the practice of public accounting as a member thereof must be a certified public accountant or a licensed public accountant of this state in good standing and a holder of a license issued under section 21 in full force and effect.

(c) Each local manager in charge of an office or a firm in this state must be a certified public accountant or a licensed public accountant of this state in good standing and a holder of a license issued under section 21 in full force and effect.

(d) Each staff member employed within this state who is certified under section 7 or registered under section 8 must also hold a license issued under section 21 which is in full force and effect.

Application for such registration must be made upon the affidavit of a general partner of such partnership who holds a license to practice in this state as a certified public accountant or as a licensed public accountant. The board shall in each case determine whether the applicant is eligible for registration. A partnership which is so registered may use the words "public accountants" in connection with its partnership name. Notification shall be given the board within one (1) month after the admission to or withdrawal of a partner from any partnership so registered.

Registration of offices.

Section 20. **Registration of offices.** Each office established or maintained in this state for the practice of public accounting in this state by a certified public accountant or a partnership of certified public accountants or by a licensed public accountant or a partnership of licensed public accountants or by one registered under section 16 shall be registered annually under this act with the board, but no fee shall be charged for such registration. The principals of sole proprietorships and all staff employees who are employed within the state and who are holders of certificates as certified public accountants must also hold a license issued under section 21 of this act which is in full force and effect; partnerships must be registered under the provisions of section 17 or section 19, whichever is applicable, and foreign accountants under the provisions of section 16.

Annual license to practice.

Section 21. **Annual licenses to practice.** Licenses to engage in the practice of public accounting in this state shall be issued by the board to holders of the certificate of certified public accountant issued under section 7 of this act and to persons registered under section 8 of this act; provided all offices, if any, of such certificate holder or licensed public accountant are maintained and registered as required under section 20 of this act. There shall be an annual license fee in an amount to be determined, from time to time, by the board, not to exceed twenty-five dollars ($25) for any year or part thereof. All licenses shall expire on the last day of December of each year and may be renewed annually for a period of one (1) year by certificate

holders and licensed public accountants in good standing upon payment of an annual renewal fee of not to exceed twenty-five dollars ($25). Failure of a certificate holder or licensed public accountant to apply for such annual license to practice within (a) three (3) years from the expiration date of the license to practice last obtained or renewed, or (b) three (3) years from the date upon which the certificate holder or licensee was granted his certificate or license, shall deprive him of the right to such license, unless the board, in its discretion, determines such failure to have been due to excusable neglect. Any certificate holder or licensed public accountant who is retiring from active practice or other employment because of illness, age, marriage or other justifiable cause, in the opinion of the board, may be placed on an inactive list, without prejudicing his right to be issued a license at a future date. A request for inactive status must be sent to the board within the three-year period as outlined in this section.

Revocation or suspension of certificate, or registration or license.

Section 22. **Revocation or suspension of certificate, or registration or license.** After notice and hearing as provided in section 24 of this act, the board may revoke, or may suspend any certificate issued under section 7 of this act, or any registration granted under section 8 of this act, or many revoke, suspend or refuse to renew any license issued under section 21 of this act, or may censure the holder of any such license, for any one or any combination of the following causes:

(a) Fraud or deceit in obtaining a certificate as certified public accountant, or in obtaining a license to practice public accounting under this act;

(b) Dishonesty, fraud or gross negligence in the practice of public accounting;

(c) Violation of any of the provisions of section 26 of this act;

(d) Violation of a rule of professional conduct promulgated by the board under the authority granted by this act;

(e) Conviction of a felony under the laws of any state or of the United States;

(f) Conviction of any crime, an element of which is

dishonesty or fraud, under the laws of any state or of the United States;

(g) Cancellation, revocation, suspension, or refusal to renew authority to practice as a certified public accountant or a public accountant by any other state, for any cause other than failure to pay an annual registration fee in such other state;

(h) Suspension or revocation of the right to practice before any state or federal agency;

(i) Failure of a certificate holder or licensed accountant to obtain an annual license under section 21, within either (a) three (3) years from the expiration date of the license to practice last obtained or renewed by said certificate holder or registrant, or (b) three (3) years from the date upon which the certificate holder or licensed accountant was granted his certificate or registration, unless such failure shall have been excused by the board, pursuant to the provisions of section 21.

Revocation or suspension of partnership registration.

Section 23. **Revocation or suspension of partnership registration.** After notice and hearing as provided in section 24 of this act, the board shall revoke the registration of a partnership if at any time it does not have all the qualifications prescribed by the section of this act under which it qualified for registration.

Hearings before board—notice—procedure—review.

Section 24. **Hearings before board. Notice. Procedure. Review.** (a) **Commencement of proceeding.** The board may initiate proceedings under this act either on its own motion or on the complaint of any person.

(b) **Notice-service and contents.** A written notice stating the nature of the charge or charges against the accused and the time and place of the hearing before the board on such charges shall be served on the accused not less than thirty (30) days prior to the date of said hearing, either personally or by mailing a copy thereof registered mail to the address of the accused last known to the board.

(c) **Failure to appear.** If, after having been served with the notice of hearing as provided for herein, the accused fails to appear at said hearing and defend, the board may proceed to hear evidence against him and may enter such order as shall be justified by the evidence,

which order shall be final unless he petitions for a review thereof as provided herein; provided, however, that within thirty (30) days from the date of any order, upon a showing of good cause for failure to appear and defend, the board may reopen said proceedings and may permit the accused to submit evidence in his behalf.

(d) **Counsel - witnesses - cross-examination.** At any hearing the accused may appear in person and by counsel, produce evidence and witnesses on his own behalf, cross-examine witnesses, and examine such evidence as may be produced against him. The accused shall be entitled, on application to the board, to the issuance of subpoenas to compel the attendance of witnesses on his behalf.

(e) **Subpoenas—oaths.** The board, or any member thereof, may issue subpoenas to compel the attendance of witnesses and the production of documents, and may administer oaths, take testimony, hear proofs and receive exhibits in evidence in connection with or upon hearing under this act. In case of disobedience to a subpoena the board may invoke the aid of any court of this state in requiring the attending and testimony of witnesses and the production of documentary evidence.

(f) **Evidence.** The board shall not be bound by technical rules of evidence.

(g) **Record.** A stenographic record of the hearings shall be kept and a transcript thereof filed with the board.

(h) **Attorney for the board.** At all hearings the attorney general of this state, or one (1) of his assistants designated by him, or such other legal counsel as may be employed, shall appear and represent the board.

(i) **Decision.** The decision of the board shall be by majority vote thereof.

(j) **Review by Court.** Anyone adversely affected by any order of the board may obtain a review thereof by filing a written petition for review with the district court of the county in which he has his principal place of business within thirty (30) days after the entry of said order. The petition shall state the grounds upon which the review is asked and shall pray that the order of the board be modified or set aside in whole or in part. A copy of such petition shall be forthwith served upon any member of the board and thereupon the board shall certify and file in the court a transcript of the record upon which the order complained of was entered. The case shall then be tried; new evidence may be introduced and; briefs may be filed as in an ordinary case at law. The court may affirm, modify or set aside the board's order in whole or in part, or may remand the case to the board for further evidence, and may, in its discretion, stay the effect of the board's order pending its determination of the case. The court's decision shall have the force and effect of a decree in equity.

Reinstatement.

Section 25. **Reinstatement.** Upon application in writing and after hearing pursuant to notice, the board may issue a new certificate to a certified public accountant whose certificate shall have been revoked, or may permit the relicensing of anyone whose license has been revoked, or may reissue or modify the suspension of any license to practice public accounting which has been revoked or suspended.

Acts declared unlawful.

Section 26. **Acts Declared Unlawful.** (a) No person shall assume or use the title or designation "certified public accountant" or the abbreviation "CPA" or any other title designation, words, letters, abbreviation, sign, card, or device tending to indicate that such person is a certified public accountant, unless such person has received a certificate as a certified public accountant under section 7 of this act, holds a license issued under section 21 of this act which is not revoked or suspended, and all of such person's offices in this state for the practice of public accounting are maintained and registered as required under section 20; provided, however, that a foreign accountant who has registered under the provisions of section 16 of this act, and who holds a current license issued under section 21 of this act, may use the title under which he is generally known in his country, followed by the name of the country from which he received his certificate, license or degree.

(b) No partnership shall assume or use the title or designation "certified public accountant" or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate that such partnership is composed of certified public accountants unless such partnership is registered as a

partnership of certified public accountants under section 17 of this act, and all of such partnerships's offices in this state for the practice of public accounting are maintained and registered as required under section 20.

(c) No person shall assume or use the title or designation "licensed public accountant", "public accountant", or any other title, designation, words, letters, abbreviations, sign, card or device tending to indicate that such person is a public accountant, unless such person is registered as a licensed public accountant under section 8 of this act, holds a current license issued under section 21 of this act and all of such person's offices in this state for the practice of public accounting are maintained and registered as required under section 20, or unless such person has received a certificate as a certified public accountant under section 7 of this act, holds a current license issued under section 21 of this act and all of such person's offices in this state for the practice of public accounting are maintained and registered as required under section 20.

(d) No partnership shall assume or use the title or designation "licensed public accountants", "public accountant", or any other title, designation, words, letters, abbreviation, sign, card, or device tending to indicate that such partnership is composed of public accountants, unless such partnership is registered as a partnership of public accountants under section 19 of this act or as a partnership of certified public accountants under section 17 of this act and all of such partnership's offices in this state for the practice of public accounting are maintained and registered as required under section 20.

(e) No person or partnership shall assume or use the title or designation "certified accountant", "chartered accountant", "enrolled accountant", "licensed accountant", "registered accountant", or any other title or designation likely to be confused with "certified public accountant", "licensed public accounant", "public accountant", or any of the abbreviations "CA", "EA", "RA", or "LA", or similar abbreviations likely to be confused with "CPA"; provided, however, that anyone who holds a current license issued under section 21 of this act and all of whose offices in the state for the practice of public accounting are maintained and registered as required under section 20 may

hold himself out to the public as an "accountant" or "auditor", as provided in subparagraphs (a), (b), (c) and (d); and provided, further, that a foreign accountant registered under section 16 who holds a current license issued under section 21 and all of whose offices in this state for the practice of public accounting are maintained and registered as required under section 20 may use the title under which he is generally known in this country, followed by the name of the country from which he received his certificate, license or degree.

(f) No corporation shall assume or use the title or designation "certified public accountant", "licensed public accountant", or "public accountant", or "accountant"; nor shall any corporation assume or use the title or designation "certified accountant", "chartered accountant", "enrolled accountant", "licensed accountant", "registered accountant", or any other title or designation likely to be confused with "certified public accountant" or "licensed public accountant", "public accountant", or any of the abbreviations "CPA", "PA", "CA", "EA", "RA", "LA", or similar abbreviations likely to be confused with "CPA".

(g) No person shall sign or affix his name or any trade or assumed name used by him in his profession or business, with any wording indicating that he is an accountant or auditor, or with any wording indicating that he has expert knowledge in accounting or auditing, to any accounting or financial statement, or to any opinion on, report on, or certificate to any accounting or financial statement, unless he holds a current license issued under section 21 of this act, and all of his offices in this state for the practice of public accounting are maintained and registered under section 20; provided, however, that the provisions of this subsection shall not prohibit any officer, employee, partner or principal or any organization from affixing his signature to any statement or report in reference to the financial affairs of said organization with any wording designating the position, title or office which he holds in said organization, nor shall the provisions of this subsection prohibit any act of a public official or public employee in the performance of his duties as such.

(h) No person shall sign or affix a partnership name with any wording indicating that it is a partnership com-

posed of accountants or auditors or persons having expert knowledge in accounting or auditing, to any accounting or financial statement, or to any report on or certificate to any accounting or financial statement, unless the partnership is registered under this act, and all of its offices in this state for the practice of public accounting are maintained and registered as required under section 20.

(i) No person shall sign or affix a corporate name with any wording indicating that it is a corporation performing services as accountants or auditors or composed of accountants or auditors or persons having expert knowledge in accounting or auditing to any accounting or financial statement or to any report on or certificate to any accounting or financial statement.

(j) No person shall assume or use the title or designation "certified public accountant" or "public accountant" in conjunction with names indicating or implying that there is a partnership or in conjunction with the designation "and Company", or "and Co." or a similar designation if, in any such case, there is in fact no bona fide partnership registered under sections 17 or 19 of this act; provided that a sole proprietor or partnership lawfully using such title or designation in conjunction with such names or designation on the effective date of this act, may continue to do so if he or it otherwise complies with the provisions of this act; and provided, further, that it shall be lawful for a sole proprietor to continue the use of the deceased's name in connection with his business for a reasonable period of time after the death of a former partner.

Exceptions—acts not prohibited.

Section 27. **Exceptions. Acts not Prohibited.** Nothing contained in this act shall prohibit any person not a certified public accountant or licensed public accountant from serving as an employee of, or an assistant to, a certified public accountant or a licensed public accountant holding a license to practice under section 21 or partnership composed of certified public accountants or licensed public accountants registered under this act or a foreign accountant registered under section 16 of this act; provided that such employee or assistant shall not issue any accounting or financial statement over his name.

Nothing contained in this act shall prohibit a certified public accountant or a licensed public accountant of an-

other state, or any accountant who holds a certificate, degree or license in a foreign country, constituting a recognized qualification for the practice of public accounting in such country, from temporarily practicing in this state on professional business incident to his regular practice outside this state; provided, that such temporary practice is conducted in conformity with the regulations and rules of professional conduct promulgated by the board.

Misdemeanors—penalty.

Section 28. **Misdemeanors. Penalty.** Any person who violates any provision of section 26 of this act shall be guilty of a misdemeanor.

Privileged communications.

Section 29. **Privileged communications.** Except for permission of the client or person or firm or corporation engaging him or the heirs, successors or personal representatives of such client or person or firm or corporation, and except for the expression of opinions on financial statements, no certified public accountant, licensed public accountant, or employee thereof, shall be required to, nor shall he voluntarily, disclose or divulge information of which he may have become possessed relative to and in connection with any professional services as a public accountant. The information derived from or as a result of such professional services shall be deemed confidential and privileged. Provided, however, that the provisions of this paragraph shall not apply to the testimony of a public accountant given pursuant to subpoena in a court of competent jurisdiction.

License fees exclusive.

Section 30. **License Fees Exclusive.** No license fees shall be imposed as a condition upon the practice of public accountancy, other than those provided for in this act.

Construction.

Section 31. **Construction.** If any provision of this act or the application thereof to anyone or to any circumstances is held invalid, the remainder of the act and the application of such provision to others or other circumstances shall not be affected thereby.

Repealing clause.

Section 32. **Repeal Provisions.** Sections 66-1801, 66-1802, 66-1803, 66-1804, 66-1805, 66-1806, 66-1807, 66-1809, 66-1810, 66-1811, and 66-1812, Revised Codes of Montana, 1947, and all other acts or parts of acts in conflict herewith are hereby repealed; provided, however, that nothing in this act contained shall invalidate or affect any action taken under any law in effect prior to the effective date

hereof, nor shall it invalidate or affect any proceeding instituted under such law before the effective date hereof.

Approved: February 26, 1969.

CHAPTER 119

An Act Providing That a Surviving Spouse May Withdraw Funds from Financial Institutions Without Probate Proceedings in Certain Cases.

Be it enacted by the Legislative Assembly of the State of Montana:

Surviving spouse may withdraw funds from financial institutions without probate proceedings—when.

Section 1. Whether a person dies testate or intestate, and irrespective of the character of his or her property, if the value of the estate does not exceed five thousand dollars ($5,000), the spouse of the decedent may collect from any bank, banking institution, savings and loan association or credit union, any moneys held to the credit of the decedent not to exceed the total sum of one thousand dollars ($1,000), without procuring letters testamentary or of administration, upon furnishing such bank or organization with an affidavit showing the right of the affiant to receive such money.

Discharge of bank.

Section 2. The receipt of such affiant or affiants shall constitute sufficient acquittance for the payment of money made pursuant to the provisions of this act, and shall fully discharge such person, representative, officer, bank, institution, corporation or body from any further liability with reference thereto, without the necessity of inquiring into the truth of any of the facts stated in the affidavit. But such payment shall not preclude administration of the estate of the decedent when necessary to enforce payment of the decedent's debts.

Approved: February 26, 1969.

CHAPTER 120

An Act Requiring Rules Adopted by the State Fire Marshal to Be Reasonable and Providing a Penalty for a Violation of a Rule Adopted by the State Fire Marshal; Amending Section 82-1202.1, R.C.M. 1947.

Be it enacted by the Legislative Assembly of the State of Montana:

Section 1. Section 82-1202.1, R.C.M. 1947, is amended to read as follows: **Amending clause.**

Rules—standards—penalty for violation.

"82-1202.1. **Rules promulgated by state fire marshal——adoption of other standards**—*providing for a penalty for violation.* (1) Rules promulgated by the state fire marshal by authority of section 82-1202, R.C.M. 1947, shall *be reasonable and calculated to effect the purposes of this act. They shall include but not be* limited to requirements for design, construction, installation, operation, storage, handling, maintenance or use of the following: structural requirements for various types of construction; building restrictions within congested districts; exit facilities from structures; fire alarm systems and fire extinguishing systems; fire emergency drills; flue and chimney construction; heating devices; electrical wiring and equipment; air conditioning, ventilating and other duct systems; refrigeration systems; flammable liquids; oil and gas wells; application of flammable finishes; explosives, acetylene, liquefied petroleum gas and similar products; calcium carbide and acetylene generators; flammable motion picture film, combustible fibres; hazardous chemicals; rubbish, open flame devices; parking of vehicles; dust explosions; lightning protection; and other special fire hazards.

(2) Standards of the National Fire Protection Association, United States Bureau of Standards, American Insurance Association Standards may be adopted in whole or in part by reference.

(3) Any person violating any rule made under the provisions of this section shall be guilty of a misdemeanor."

Approved: February 26, 1969.

CHAPTER 121

An Act to Amend Section 11-1202, Revised Codes of Montana, 1947, by Providing That Direct or Indirect Purchases by a City or Town of Motor Vehicles, Equipment, Supplies and Materials Priced Over Two Thousand Five Hundred Dollars Be Paid, in the Manner Provided, Within Five Years.